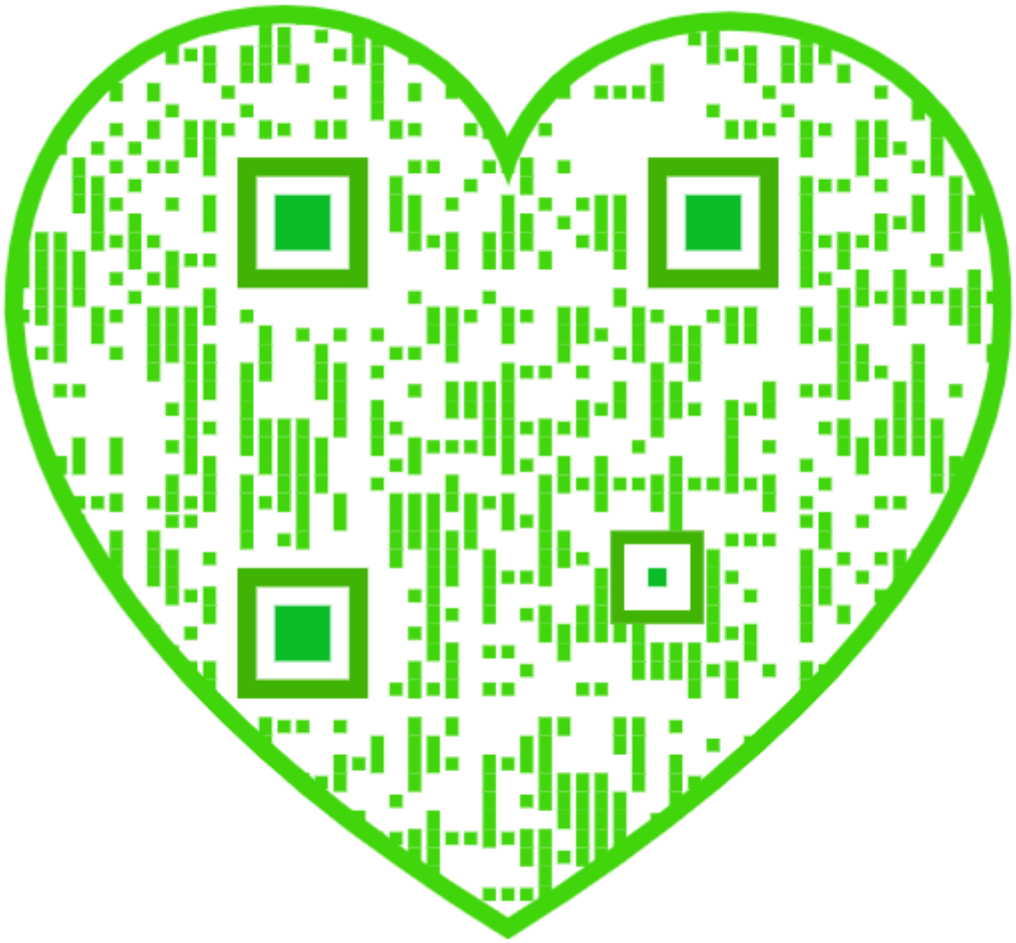

BOOKKEEPING AND ACCOUNTING PRACTICE

The Hoover System of Modern Bookkeeping
—easy to learn and practical to use

By S. R. HOOVER

A. W. SHAW COMPANY
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TO THE STUDENT OF BOOKKEEPING

THERE is opportunity for advancement awaiting you in a knowledge of bookkeeping and accountancy. This book will give you that knowledge, and it will give it to you in the shortest time and with the least effort consistent with thorough training. There is no mystery about bookkeeping as this text presents it. At the same time, do not make the mistake of thinking that it is to be picked up in a few hours and without real application. The most important thing I can say to you is —SEE IT THROUGH. If you will faithfully work out every transaction in the book according to the directions given, there is absolutely no reason why you should not secure an adequate grasp of the subject.

You will notice almost as soon as you begin to study the text that there are three steps by which every new kind of transaction is presented. It is first explained so that you can understand the history and meaning of it; it is then illustrated to show you how it looks; thirdly, it is applied; that is, you are instructed to produce results like the illustration out of the material which is furnished.

Not the least interesting feature of the book is the large number of illustrations, charts, forms, and photographs. One of the most satisfactory methods of learning is through pictures, and these illustrations (there are 138 of them, in addition to two inserts) you will find extremely helpful.

You can make your study of bookkeeping more valuable by keeping a record of your own personal business. Let me urge you to secure a small blank book and to write in it just what money you have received and what you have spent each day, and to continue this practice as long as you live. You may not see just now, but you will some day, that this is one of the best ways in which to begin to save.

Next, arrange to open a savings account at a bank and deposit something in it regularly. Do not withdraw from it

except under the most pressing necessity. Watch the account grow. You will be surprised at the amount you will have to your credit as the time slips rapidly away.

If there is no record of income and expenses kept in your home, you will find in this text complete information as to how to introduce and keep such a record. Whoever does the marketing and the paying of the bills will find the task easier and will be able to make the available funds go farther if the budget method explained in the first chapter is accurately and persistently followed.

Another feature which makes it easy for you to learn from this text is that it makes the subject interesting, and everyone knows that a person can learn a subject which interests him much more rapidly than one which he dislikes. There's no denying the fact that bookkeeping is often presented so as to seem dry and uninteresting. But this text doesn't present it that way. It is not merely an aggregation of figures; there is a story in it, running all through it, to show you the how and the why of many of the books, terms, and processes at present in use in bookkeeping.

You learn to keep the books of various types of business houses by actually doing the work of such a concern. You learn farm bookkeeping in the employ of the Valley Poultry Yard and the Kemi Truck and Fruit Farm. You learn retail, partnership, and commission accounts in the employ of the Busy Retail Store—wholesale and corporation accounts with the Union Grocery Company—department store accounts with the People's Department Store—cost accounting with the General Motor Manufacturing Company—bank accounting with the National Bank of Education.

At regular intervals throughout the text you will find lists of questions on what you have studied. If you will honestly and carefully work out the books of each business to their correct conclusions, and can answer the questions on each part you cover, there is no danger that you cannot find and fill a responsible and remunerative place in a well-organized, modern business office. Or, if you have a business of your own, you will find yourself in a position to install a modern, adequate system of records and to watch those records, gleaning from them

knowledge of the condition of the business, and an indication of the effectiveness of the methods in use.

If prices of commodities, wages, and salaries seem lower than they are at the present date, it should be remembered that they have fluctuated so radically of late that any attempt to keep pace with the changes would be absurd. The figures used throughout the text are approximately what were normal before this inflation began.

Acknowledgement of assistance and expression of appreciation is hereby made to the Goodrich Rubber Company, the Goodyear Rubber Company, the Miller Rubber Company, the Winton Company, the William Edwards Company, the May Company, the Higbee Company, the Elliott-Fisher Company, the Burroughs Adding Machine Company, the Felt and Tarrant Company, the Yawman & Erbe Company, the Tabulating Machine Company, the Audit Company, the Marchant Calculating Machine Company, the Dalton Adding Machine Company, the Sundstrand Adding Machine Company, Nau, Rusk and Swearingen, Ernst and Ernst, the Cleveland Trust Company, the Lorain Street Savings Bank, the Cleveland First National Bank, Mr. Edwin M. Robinson and Miss Esther Jane Helfrich of the text-book department of the A. W. Shaw Company, and many other individuals connected with the companies mentioned and with other business enterprises.

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BOOKKEEPING AND ACCOUNTING PRACTICE

SECTION I

ELEMENTARY PRINCIPLES OF BOOKKEEPING

PART ONE

THE study of bookkeeping is important because every business man should be capable of investigating the books of his own business, whoever his bookkeeper may be, and not be at the mercy of an employee by reason of his own ignorance of the records kept in books.

The capable bookkeeper is a necessary and valuable assistant in practically any business organization. His duties consist in keeping records of all money transactions, of profits and losses, and from these records preparing reports for the manager which will show him just how the business is progressing. Keeping the records is known as bookkeeping, while accounting comprises interpreting the records and preparing reports.

Why accounting is necessary. Often the success or failure of a business will depend upon the method of accounting in use. For if the figures do not show the proprietor which lines of endeavor are most profitable to him, he may be concentrating his forces on an unprofitable line and neglecting one that would be his most successful profit winner.

The enthusiastic bookkeeper or accountant must not lose sight of the fact, however, that while bookkeeping is important, it is not more important than the business itself. We do not do business because we keep books, but we keep books because we do business. That bookkeeping system is best, therefore, which is of such a character as to make it possible on the shortest notice to show to the proprietor or to the manager the exact status of the firm's affairs.

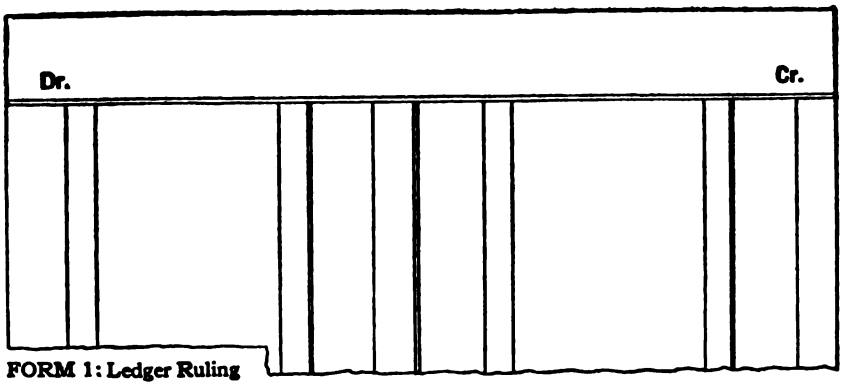
The value of clearness. The value of the books and records of any business depends largely on the manner in which they are

kept. Explanations of transactions should be so clear that anyone with a knowledge of bookkeeping can tell just what was done; nothing should be left to the memory of the bookkeeper, for when it is necessary to refer to the transaction, years may have passed and the bookkeeper may be far distant, possibly dead. No private marks, unintelligible to anyone but the writer, should be employed, for the same reason. And nothing should be erased under any circumstances. Books of record are brought before courts of justice as evidence on matters of litigation; an erasure may arouse the suspicion that something was entered which it was found desirable later to conceal; this is presumptive evidence that whatever was concealed was dishonest. Mistakes should be marked "void" or red lines drawn through them, thus allowing them to stand so that they can be explained, if necessary.

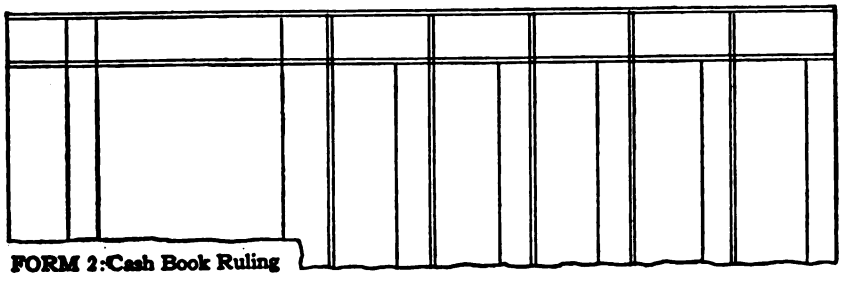
Bookkeeping in ancient times. Efforts to keep records of business transactions are as old as history. Clay tablets found in the excavations of ancient Babylon, picture writings in the tombs of the early Egyptian dynasties of the Nile valley, and inscriptions left by the Phoenicians indicate that all these peoples kept records of their business dealings. Whether they really kept books is unknown, for the only indications hitherto discovered are what would be designated as vouchers by modern accountants; they take the form of bills, invoices, or receipts. An Italian writer of Pisa tells us that there was a fairly developed method of accounting in use among some of the merchants trading around the Mediterranean Sea, and that the origin of this form of accounting may have been traceable to Roman traders.

The Italian method. The first modern publication on the subject of bookkeeping was issued in Italy in the year 1494 or 1495, by a friar named Luca Pacioli, or Lucas di Borgo. This was an exposition of "double entry" bookkeeping and became the authority in other countries of Europe, where for some time it was designated "the Italian Method" of keeping accounts.

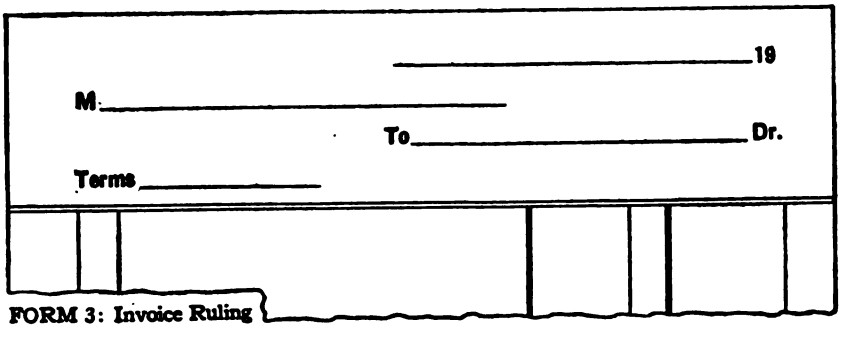
What "double entry" means. The name "double entry" comes from the fact that for every transaction two records are made; that is, for every charge there is a credit, and for every credit there is a charge. This is clearly logical, because for every business transaction there are in reality two operations.



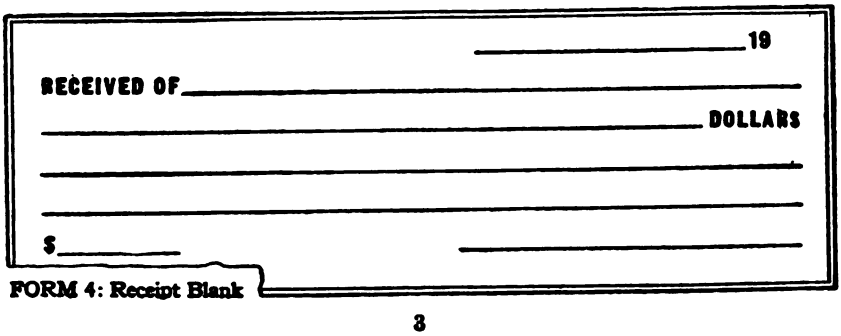
FORM 1: Ledger Ruling



FORM 2: Cash Book Ruling



FORM 3: Invoice Ruling



FORM 4: Receipt Blank

Suppose, for instance, that Walter Bowman pays Henry Potter $80. As a matter of fact, Walter Bowman pays the $80, and Henry Potter receives it. Both operations should be recorded.

The essential point. Many improvements and modifications of the Italian method of double entry bookkeeping have been made, but all of them follow the original idea that throughout all entries, accounts, books, statements, and records a balance must be maintained between the credit side and the debit side. There may be several debits to balance a single credit or several credits to balance a single debit in the same entry, but the important fact remains that the balance between the debits and the credits must be maintained. For example:

	Debits	=	Credits
	$50	=	$50
or	$50	=	$25 + $10 + $15
or	$20 + $18 + $12	=	$50
or	$19 + $10 + $21	=	$13 + $23 + $14

How this point helps. From the fact that every item which is charged to one account is credited to another, it is clear that if the entries are correct the books will "balance." That is, the sum of the debit entries will equal the sum of the credit entries. This is, then, the reason why "double entry" bookkeeping with its many adaptations is used almost universally at this time—it provides a means of checking up the accuracy of the books.

The bookkeeper's tools. In order thoroughly to understand bookkeeping methods, it will be well to examine some of the materials with which the bookkeeper works. The student should also familiarize himself with certain bookkeeping forms, and learn how to make them.

For convenience most bookkeeping is done on ruled paper. Usually the paper is bought with the lines already ruled. But there are times when the bookkeeper has to do his own ruling, and since the best instrument for making lines is the ruling or drawing pen, he should know how to use it.

How to use the ruling pen. The ruling pen, which can be obtained at almost any stationery store, consists of two metal points connected by a screw; by turning the screw to the right,

Philadelphia, Pa., June 28, 19--

Mrs. Arthur A. Stuntz,
1672 West 97th St.

Bought of

THE LANCASTER COUNTY DAIRY COMPANY
182 WASHINGTON MARKET

Terms 2/10 Net 20

		5 lbs. Creamery butter @ 48¢	2	40		
		2 lbs. Cottage cheese @ 12¢		24		
		3 doz. Eggs @ 51¢	1	53		
		2 qts. Buttermilk @ 10¢		20	4	37

FORM 5. Invoice or Bill

Philadelphia, Pa. June 28, 19--

Mrs. Arthur A. Stuntz,
1672 West 97th St.

Bought of

THE LANCASTER COUNTY DAIRY COMPANY
182 WASHINGTON MARKET

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		3 doz. Eggs @ 51¢	1	53		
		2 qts. Buttermilk @ 10¢		20	4	37

RECEIVED PAYMENT
The Lancaster County Dairy Company
L. Cu

FORM 6. Receipted Bill

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Tucson, Ariz. July 10, 19--

RECEIVED OF Mrs. W. B. Bordeen

----------Twenty-seven and------17/100 DOLLARS

in full of account to date----------

$ 27.17

Acton and Frothingham
by G. J. F.

FORM 7: Receipt for Payment in Full

Los Angeles, Cal. September 10, 19--

RECEIVED OF J. A. Mowbray

----------Eighteen----------no/100 DOLLARS

on account----------

$ 18.00

The Artone Piano Company
by J. P. D.

FORM 8: Receipt for Payment on Account

NO. 46 Bangor, Me. February 1, 19--

RECEIVED OF L. A. Harmon

----------Thirty-two and----------50/100 DOLLARS

For rent of----House and lot---- NO. 1352 Archwood STREET

For one Month ending February 28, 19--

$ 32.50

M. E. Parker

FORM 9: Rent Receipt

the points are brought closer together; a turn to the left separates them. The nearer the points are, the finer the line. The ruling pen should never be dipped into ink; a little ink should be placed between the points with an ordinary writing pen.

The student should practice making a few forms like those on page 3, until he can produce a neat, accurate result with no blurs nor finger marks.

What an invoice is. One of the most commonly used business forms is the invoice or bill, which is simply an itemized list of goods sold or services rendered, together with the quantity and price of each item, as well as the total amount.

When goods are sold, the seller makes out an invoice like that on page 5, Form 5, and sends it with the goods or by mail to the buyer, who, upon the arrival of the shipment, checks both the quantity and the price of each item against the invoice, in order to avoid possible disagreement or dispute afterward. The extensions of the figures in the right-hand columns should also be very carefully checked by both seller and buyer.

Getting a receipt. When paying an invoice the purchaser sends the invoice with his remittance to the seller, who stamps or writes the words "PAID" or "RECEIVED PAYMENT" across the face, together with his name and the date, and returns it to the customer. The customer carefully preserves this "receipted bill," as it is called, as evidence that he has paid the bill. Form 6 on page 5 shows a receipted bill.

If the customer has lost or mislaid his bill, he can still get a receipt for the money, and he should insist upon receiving one. Such a receipt can be a duplicate of the bill, which is often desirable, or perhaps a simple receipt form, such as those on page 6. Form 7 shows a receipt for payment in full. Form 8 shows a receipt for a payment made on account, and Form 9 shows the style of rent receipt used by a landlord in Maine. Whatever form of receipt is used, it should always show these five facts:

1. the amount of money paid
2. who is paying it
3. to whom it is paid
4. for what it is paid
5. the date

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BOOKKEEPING PRACTICE

The preparation of forms, invoices, and receipted bills

With ruling pen, draw the forms required for the following transactions, and then make out invoices. After the invoices have been prepared, checked, and returned, receipt those that should be receipted.

1. J. A. Anderson, of Lakeland, Montana, purchased from the Lakeland Furnishing Company, on Oct. 10, 19—, 6 "dupont" collars at 15 cents each, 2 scarfs at 75 cents each, 1 pair of gray unlined dress gloves at $1 a pair, and a dark gray hat at $4.

2. On April 4, 19—, E. F. Blaine, of 376 Main St., Alton, Texas, bought 1 dozen boys' knickerbocker suits, 3 in fancy checks at $6.35 each, 3 in brown cassimere at $7.25 each, 3 in dark gray at $6.65 each, and 3 in blue mixture at $4.40 each; also 6 boys' cowboy suits at 97 cents each, and 6 boys' khaki suits at 92 cents each.

3. E. H. Prophet and Co., of 1963 East 16th St., Omaha, Neb., sold to J. W. McCleod, of Kipton, Neb., 1 18-inch combination bag and suitcase, genuine walrus leather, at $17.35, 1 leather pocketbook at 60 cents, 1 woman's alligator handbag at $6. These articles were paid for when purchased, Dec. 20, 19—.

4. The Keystone Music Co., of 1724 Penn Avenue, Atlanta, Ga., sold to Arthur Millman, 11405 East 96th Street, Atlanta, Ga., 1 Stradivarius model American violin at $25, 1 music stand at $1.65, 1 leather music case at $1.25. These articles were purchased on the 15th of February, the terms being $5 in cash and $2 each month thereafter until paid.

5. The Office Supply Co., 1026 Arch St., San Antonio, Tex., bought of the Graphite Manufacturing Co., 426 Frankfort St., New Orleans, La., terms 2% off if paid within 10 days, net 30 days, 5 gross "Commerce" hexagon pencils No. 3, at $3.82 a gross; 10 gross round cedar pencils, rubber tipped, at $1 a gross; 1 dozen each of grades SS, S, HS, H, and HH artists' drawing pencils at 51 cents a dozen; 5 dozen No. 2 art-gum erasers at 55 cents a dozen. Nov. 24, 19—.

BOOKKEEPING PRACTICE

Receipting for payments of money

Write the proper receipt required for each of the following transactions. Each receipt should be so clear as to require no additional explanation of the transaction which it represents.

1. Mrs. E. B. Greene, of Denver, Colo., paid the May Company, of that city, $25 on account, on the 7th of April, 1919.

2. J. M. Donaldson, of Lexington, Ky., is the owner of a house and lot at 3649 East 24th St., for which H. L. Robinson paid the rent ($25) for the month of August, 19—, on the 31st of July.

3. H. Hill, of the student's home town, owes a note of $427.75 at the First National Bank. The note is dated March 10, 1919, interest being payable quarterly. On April 2, 1920, the interest was paid in advance for the second quarter of that year at the rate of 6%. The student should write a receipt like that which was probably given by the bank.

4. H. J. Allen, of Chester Falls, Oklahoma, owed the firm of Wright & Upp, of the same place, a balance of $9.82, and he paid it on the 10th of November, 19—.

5. T. L. McKim, of Daytona, Fla., bought of Hartman & Strawn, Jacksonville, Fla., a suit of clothes on Dec. 15, 19—. He paid $10 in cash with the understanding that the balance was to be paid in 30 days. The price of the suit was $27.50.

STANDARD QUESTIONS

Fundamental principles of bookkeeping

1. How old is the study of bookkeeping?
2. What are the earliest records which have been found?
3. What was the first systematic accounting of which we have knowledge?
4. When, where, and by whom was the first modern treatise on bookkeeping issued?
5. What was the fundamental idea of this first treatise?
6. What expression is often used to state this fundamental idea?
7. Is the expression accurate? If so, why? If not, why not? In any case, illustrate your answer.
8. Which is of first importance, business or bookkeeping? Give reasons for your answer.
9. Name the two fundamentally different kinds of bookkeeping.
10. Which of these two is the best method of bookkeeping? Why?
11. What is the rule concerning erasures? Why?
12. What should be done in case you make an error? Why?
13. Describe the drawing pen and explain just what is the best way to use it.
14. What is an invoice? By what other name is it sometimes called?
15. Who makes out the invoice? What does he do with it?
16. What should the customer do with the invoice?
17. What is done with the invoice when it is paid?
18. What do we call an invoice after it is paid? Who retains it? Why?
19. What is a receipt? Who writes it? To whom is it given? Of what value is it?
20. Describe three different forms of receipts.

PART TWO

JUST because bookkeeping and accounting are so vital to the successful conduct of a large business, does not mean in the least that the small business does not need bookkeeping also. To be sure, the large corporation or railroad has a much more complicated method of accounting than the corner grocery or dry goods store—but accurate records are as necessary to the small business as to the large one.

The simplest form of bookkeeping. The newsboy probably keeps a record of his customers. And every one who wants to know just where he stands, usually finds it worth while to keep at least a record of what he receives and what he spends.

As soon as a boy or girl is old enough to handle money, to earn and spend even small amounts, or to be trusted with an allowance, he should begin to keep an accurate record of his income and outlay. And especially should this be done after he has begun to earn his own living. An appreciation of the importance of proper handling of money and property will help to develop habits of thrift and make it easier to avoid the painful processes through which so many have learned the danger of ignorance or carelessness in handling funds. The consequences of such blunderings are often serious:

1. losing money by carrying it carelessly;
2. laying change down in unsafe places and forgetting it;
3. mixing money belonging to others with one's own; this opens the high road to embezzlement and should not be done under any circumstances, even for a short time;
4. spending more than one receives because one isn't sure just how much he is receiving or paying out.

How to keep a personal account. A personal account for one's own use may be very simple. Many people have found a simple record like that on page 11 to be just right for them. Once a week the account should be balanced by adding up each column and subtracting the amount paid out from the amount received. The difference will equal the balance of money on hand, if the account has faithfully recorded every cent which has been received and spent.

Henry Scott

Date 19--		Items	Received		Paid out	
Jan.	2	Cash on hand	9	87		
		Salary	14	00		
		Board			6	00
	4	Movnig picture show				15
	5	Loan to brother			1	00
	6	Candy				25
		Library fine				09
	7	Sweater			4	50
	8	Carfare for the week				60
		Lunches for the week			1	70
		Theater ticket				75
		Balance			8	83
			23	87	23	87

FORM 10: A Simple Record Book

Grace Thompson

Date 19--		Items	Received		Paid out	
May	1	Cash on hand	5	86		
		Salary	12	00		
	2	Church				25
	3	Carfare and lunch				35
	4	Hat			6	00
		Carfare and lunch				40
	5	Present for mother			1	00
		Movnig picture show				20
		Carfare and lunch				35
	6	From sister (she owed me)		75		
		Carfare and lunch				40
	7	Carfare and lunch				35
		Balance			9	31
			18	61	18	61

FORM 11: A Simple Record Book

When to make the records. The only businesslike time at which to make the record is when the money is received or spent, or just as soon after as possible. Every delay adds to the mistakes and difficulties of keeping the account correct.

BOOKKEEPING PRACTICE

Keeping a cash account

The student should make the cash records for the transactions in the following problems and balance them.

1. John Allison received his salary of $15 on Jan. 6; on Jan. 8 he paid his mother $5 board and spent 10c carfare and 25c for lunch; on Jan. 9 he spent 10c carfare, 30c for lunch, and 20c at the motion-picture show; on Jan. 10 he spent 10c carfare, 25c for lunch, and gave his little sister 10c; on Jan. 11 he spent 10c carfare, 30c for lunch, and $1 for a tie; on Jan. 12 he spent 10c carfare, 35c for lunch, and 75c for a theater ticket; on Jan. 13 he spent 10c carfare, 35c for lunch, 55c for laundry, and received his salary of $15.

2. Jane Freeman has $7.68 on hand March 1; she receives $14 salary and deposits $5 in the bank on March 2, and spends 40c for carfare and lunch and 50c for flowers for her mother's anniversary; on March 3 she pays 35c for carfare and lunch and $6 for a hat; on March 4 she spends 40c for carfare and lunch; on March 5 she contributes 25c to the church offering; on March 6 she spends 45c for carfare and lunch and $1 for gloves; on March 7 she spends 40c for carfare and lunch and 15c for candy; on March 8 she spends 45c for carfare and lunch, receives her salary of $14, and deposits $5 in the bank.

STANDARD QUESTIONS

Keeping a cash record

1. When should a boy or girl begin to keep a record of money received and paid out?
2. What are some of the dangers to be avoided in handling funds? How may they be avoided?
3. What is the advantage of keeping an accurate account?
4. In the simple record books on page 11, how many columns are shown? What is each column for?
5. Which of the money columns is larger? Why?
6. Could the other column be larger? Why?
7. If you have more money than your account shows you should have, what is the reason?
8. Suppose you have less money than your account indicates; how will you find the error?

9. When should records be made? Why?

10. Which is better; for the boy or girl to have to earn money for spending or to have it given by parents as an allowance? Give the reasons for your answer.

PART THREE

THE same principles that we have learned in keeping personal accounts apply just as fully to the keeping of household accounts. The only difference is that in a family there are more people concerned; this, however, only makes it more imperative that some form of accounts be kept.

How to save money. Much more money is spent when no record of the outlay is made, and after the money is spent some urgent need may come up for which no provision has been made. Many temptations to spend money foolishly or unnecessarily will be overcome when each item must be recorded.

What a "budget" is. One of the first steps in starting a plan of this kind is to determine the household "budget." A budget is much more simple than it sounds; it is nothing more than a comparison of the money expected in the next week, or month, or year, with the amount to be spent for different classes of outlay over the same period.

Just what is to be included in this estimate may vary in different cases, but probably every household budget includes rent, food, light, heat, insurance, savings, and so forth. The object of a budget is not to make the work of accounting more complicated, but to make it easier; the fewer the items placed in the budget, the simpler the work will be.

How to prepare a budget. The estimated amount to be paid in a year for rent, for food, light, heat, and so forth, divided by the number of paydays in the year, will be the amount which should be unfailingly set aside from each pay for that particular item of the budget.

A man in Ohio named Weston had a salary of $30 a week, making a total yearly income of $1,560. When Mr. and Mrs. Weston started to keep household accounts, they drew up a budget like this:

ANNUAL BUDGET

Rent	$ 240
Table	360
Clothing	160
Light	15
Heat	60
Life insurance	54
Furnishings	52
Laundry	75
Amusements	30
Savings	150
Church	52
Total for the year	$1,248
Divided by 52	24

In this way, Mr. and Mrs. Weston found that out of Mr. Weston's salary of $30 a week, they must set aside $24 each week to pay the expenses of their household. And in order to make it as easy and yet as effective as possible, they opened an account with a nearby bank, and deposited $24 each week in this bank, just as soon as Mr. Weston received his pay. For convenience the account was put in Mrs. Weston's name, although it could have been in both their names, in which case it would have been called a "joint account."

Opening a checking account. When the bank account was opened, Mrs. Weston made out a deposit slip for the amount deposited, and gave it to the receiving teller of the bank. The teller counted the money to make sure it was correct, and gave Mrs. Weston a pass book showing the amount deposited to her account. Every time Mrs. Weston deposited some money she made out a deposit slip and the teller entered the amount and the date in the pass book.

The student can easily make a pass book for practice work by folding an 8½ by 14 sheet of paper twice, once lengthways, and then end over end, making an eight-page booklet. Each page should be ruled like Form 12 on page 15.

How to fill out a check. When Mrs. Weston wanted to pay her laundry bill, she wrote a check like that on page 15, and gave it to the laundryman. A check is a written order by the depositor asking the bank to pay to the person named a

THE CITIZENS BANKING AND TRUST CO.

in account with

Mrs. J. W. Weston

Dr.

Jan 19--	7	Deposited	24	
	14	Deposited	24	
	21	Deposited	24	
	28	Deposited	24	
Feb.	4	Deposited	24	
	11	Deposited	24	
	18	Deposited	24	
	25	Deposited	24	
Mar	4	Deposited	24	
	11	Deposited	24	
	18	Deposited	24	

FORM 12: This is one page from Mrs. Weston's pass book. Whenever she deposits any money, the teller writes the date and the amount in the proper columns, and gives the book back to her. The pass book is described more fully on page 14.

No. 1 Jan. 8 19--

To Excelsior Laundry Co

For Rough dry and flat

Balance forward	
Deposited	24.00
Total	24.00
Amt. of this check	.88
Balance forward	23.12

No. 1 Boston, Mass., Jan 8, 19--

THE CITIZENS BANKING AND TRUST CO.

Pay to the order of

The Excelsior Laundry Co

--Eighty-eight cents only-- ~~DOLLARS~~

$ 0.88

Mrs. J. W. Weston

FORM 13: And this is the check which Mrs. Weston gave to her laundryman. Notice how carefully the stub has been filled out. Before cashing the check, the laundryman must indorse it. The canceled check becomes Mrs. Weston's receipt.

MRS. J. E. KING

DATE		CASH RECEIVED	$	¢	DATE		CASH PAID	$	¢
19-- Jan.	7	Appropriation	24	00	19-- Jan.	8	Laundry		88
						8	Savings account	3	00
						9	Groceries	1	49
						10	Meats	1	86
						11	Flour	2	75
						12	Groceries	4	32
						12	Gas bill	1	12
						12	Church	1	00
	14	Appropriation	24	00		14	Laundry	1	20
						14	Savings account	3	00
						15	Meats	2	37
						16	Table napkins	3	00
						18	Groceries	3	86
						19	Life insurance	3	75
						19	Church	1	00
	21	Appropriation	24	00		21	Savings account	3	00
						22	Meats	2	65
						23	Groceries	4	28
						24	Laundry		96
						25	Triticum Baking Co.		65
						26	Church	1	00
	28	Appropriation	24	00		28	Laundry	1	10
						28	Savings account	3	00
						29	Groceries	4	02
						30	Meats	1	96
						30	Theater tickets	1	50
						30	Candy		50
						31	Rent for February	20	00
						31	*Balance forward*	*16*	*78*
			96	00				96	00
Feb.	1	Bal. brought down	16	78					

FORM 14: This is the record which Mrs. King keeps of her household expenses. In the columns at the left she enters all the money which she receives; on the right she enters what she pays out. In January, 19—, she received $96 and spent all but $16.78. The balance with which she starts her February account is therefore $16.78.

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certain sum of money. Checks are usually bound in a cover in book form, each leaf of the book containing a stub and a check. The stub is filled out first and should tell exactly for what and to whom the money was paid. The check is then torn out of the book at the perforation.

At the end of each month the bank prepares a statement showing all deposits made and all checks drawn during the month, so far as they have come into the bank's hands. This statement, with the canceled checks, is handed to the depositor, who checks it with the stubs of his check book and at once reports any disagreement to the bank.

Check books are furnished by banks, but some depositors prefer to have their checks printed and bound specially, thus being able to print their own firm name on the checks.

Why the stub is important. Since Mrs. Weston is very careful about filling in each stub in her check book, she always has a record of every payment made and what her bank balance is. And at any time if she desires to know just how much money she has paid out for any item, she sits down and runs through the stubs, jotting down on a piece of paper the amounts paid. Suppose she wanted to know how much she paid for meat in January in order to tell whether or not her February bill is excessive; here's the way her figures would look:

Paid for meat in January

January 10	$1.86
15	2.37
22	2.65
30	1.96
Total	$8.84

Opening a savings account. Mrs. Weston's budget, on page 14, showed that she planned to save $150 a year, and since the most practical way to save is to open a savings account at a bank, that is what Mrs. Weston did, depositing $3 each week on payday. And to make sure that she never forgot it, she always made it a point to put that $3 in the savings bank just as soon as she deposited her husband's pay. This eliminated any chance of making the savings deposit smaller than the amount called for in the budget.

The bank book. When Mrs. Weston opened her savings account at the First Trust and Savings Bank, she received a bank book which was somewhat different in form from that which she received when she opened her "commercial" or checking account at the Citizen's Bank. The savings bank book contains not only the amounts deposited, but also the interest (sometimes called dividends), withdrawals and balances. One savings bank prints this little saying on the outside of the pass book: "The more money you deposit in this bank, the more interest you will have in it." Both bank books are shown on page 261.

Interest and withdrawals. Interest on savings accounts is usually credited twice a year, on January 1 and July 1. Money can be withdrawn by presenting the pass book, but not ordinarily by check. Many banks also require the depositor to sign receipts for sums of money which they wish to withdraw from their savings accounts.

Another woman, Mrs. J. E. King, who happened to be a cousin of Mrs. Weston, lived in a small town where there wasn't any bank, so she couldn't conveniently have a checking account. She kept a simple cash record, like that shown on page 16. Mr. King received $30 a week salary, just the same as Mr. Weston, and Mrs. King, for this reason, used the same budget as her cousin used.

STANDARD QUESTIONS

How to keep household accounts

1. Should an account of household expenses be kept? Why or why not?
2. What is done first in preparing to keep an account with household cash?
3. What is a budget? How is it prepared?
4. What items of expense will practically every household budget contain?
5. Where should money be kept? Give several reasons for your answer.
6. What is the best way to make payments of bills? Why do you think so?
7. What is a joint account?
8. What part of the check should always be filled out first? Why is this?

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9. How can the depositor quickly find out just what was paid for any item?

10. On what kind of paper should the "Housewife's Cash Record" be kept?

STANDARD QUESTIONS

Keeping a bank account

1. Describe the pass book of a commercial account.
2. What is a check?
3. Of what parts does a check consist?
4. What is the value of each part of the check, and what becomes of it?
5. When and how does the depositor know how his account at the bank stands?
6. How does the depositor compare his own results with those reported by the bank?
7. What should he do if there is a disagreement?
8. How does a savings bank book differ from the commercial bank book?
9. What information is entered in the savings bank book and by whom?
10. How is a savings account carried on?
11. When is interest credited on a savings account?
12. What is the usual rate of interest which is paid on savings deposits?
13. If you deposit $50 Dec. 30, 1918, what will be the amount credited to your account Jan. 1, 1919?
14. How may money be withdrawn from a savings account?
15. What care must be exercised in drawing checks? Why is this necessary?

BOOKKEEPING PRACTICE

How to keep household accounts

In carrying out these transactions, the student should use a bank book, a check book, deposit slips, and two 8½ by 11 sheets of ledger ruled paper; all of these can be quickly ruled up or he may use the supplies which accompany this course of study.

The student should make all the records required by these transactions, and draw checks where cash is paid. The depositor should be careful never to draw a check for more than he has in the bank. Since banks will not pay overdrafts, the result would be a very bad impression on the mind of the holder of the check.

1. February. Cash receipts: 4, appropriation $24; 11, appropriation $24; 18, appropriation $24; 25, appropriation $24. Cash

payments: 1, soap and flavoring extracts $1; 2, church $1; 4, savings account $3; 5, laundry $1.02; 6, groceries $3.72; 7, meat $2.04; 8, stationery and stamps $1; 9, gas bill $1.20; church $1; 11, laundry 92c; 12, savings account $3; 13, groceries $3.97; 14, meats $2.18; 15, life insurance $3.75; 16, church $1; 18, savings account $3; laundry $1; 19, groceries $2.16; 20, meats $1.88; 21, concert tickets 75c; 23, groceries $2.10; church $1; 25, savings account $3, laundry $1.32; 26, meats $1.98; 27, groceries $3.87; 28, rent for March $20.

2. March. Cash receipts: 4, appropriation $24; 11, appropriation $24; 18, appropriation $24; 25, appropriation $24. Cash payments: 1, 2 tons of coal $15; 2, church $1; 4, savings account $3, laundry $1.12; 5, groceries $4.52; 6, meats $2.13; 7, sugar (25 lbs.) $1.88; 8, gas bill $1.50; 9, church $1; 11, savings account $3; laundry 98c; 12, groceries $5.10; 13, meats $1.92; 14, flour $2.80; 15, candy and picture show 80c; 16, church $1; 18, savings account $3; laundry $1.15; 19, life insurance $3.75; 20, groceries $4.81; meats $2.11; 21, Triticum Baking Co. 75c; 22, maple syrup (2 gal.) $2.50; 23, church $1; 25, savings account $3, laundry $1.03; 26, groceries $4.79; 27, towels and tablecloth $7.64; 28, meats $2.09; 29, Red Cross donation $2; 30, rent for April $20, church $1.

SECTION II

A SIMPLE SET OF BOOKS

PART ONE

THE vital questions which the manager asks the bookkeeper are: "How much have we gained? How much have we lost? What have we on hand? How much do we owe others? What is the business worth now?" The answers to the first two of these questions are contained in a "profit and loss statement," sometimes called the "income sheet." The other three are answered by a "resource and liability statement," or, as it is often called, "balance sheet" or, in some cases, "statement of condition."

What the bookkeeper must know. In entering a new business venture or in taking charge of a set of books, the bookkeeper must know that the books are in balance; that is, that the sum of all the entries on the left-hand or debit side of all records equals the sum of all those on the right-hand or credit side. He must know also the value of the firm's property, the amounts due the firm from others, and the amounts owed to others by the firm. This information is contained in the ledger if the books have been properly kept, but to be certain of his starting point he may find it necessary to verify the property values by taking an inventory.

What an inventory is. An inventory is a list of the property owned by a business and the value of that property. For convenience, inventories are usually classified under several heads. When he has the inventories, the bookkeeper next proceeds to take a trial balance.

The trial balance. A trial balance is a list of all the debits and credits of a business. All the debits are listed in one column

and all the credits are listed in another; if the totals of the two columns are equal, it usually proves that the bookkeeping has been correctly done.

The trial balance shown in Form 15 contains three kinds of items. In the debit column are Cash, Goods, and a sum of money owed us by J. H. Roberts. These are our resources or assets; that is, these are the items which we can use for paying our debts. In the credit column are two debts which we owe, the grocery store and the meat market. These are our liabilities. The other item in the credit column is the difference between our assets and our liabilities and is known as our present worth or, as it is sometimes called, net credit, or ownership. These may appropriately be called the fundamental elements of accounts. From this we can write the equation:

resources = liabilities + present worth

This rule will help. The two sides of this equation may be likened to the scale pans of a scale. If a weight is added to one scale pan, that pan goes down, and we say the scale is not in balance. But if the same weight is put in the other pan, the two pans will balance each other, and we say that the scale is then in balance.

The same is true of bookkeeping and of the equation:

resources = liabilities + present worth

If something is added to the resource side of this equation something must also be added to the other side; this may be an addition to the liabilities, or it may be an addition to the present worth. In the same way, if something is added to the liabilities the same amount must either be added to the resources or subtracted from the present worth. The chart shown in Form 16 on page 23 illustrates this.

An example will show just how that works out. If our resources are $10, and our liabilities are $8, then our present worth is $2.

Writing it out:

1. $10 = $8 + $2

Suppose now somebody gives us $3; our resources are immediately increased to $13, and since we don't owe any more than

		Trial Balance as of Oct 16 19--	Debits		Credits	
		Cash on hand ($15.36 in the bank)	25	42		
		Goods on hand worth	41	18		
		Grocery store (we owe them)			4	13
		Meat market (we owe them)			1	54
		J H. Roberts (he owes us)	3	25		
		Our present worth or net credit is			*64*	*18*
			69	85	69	85

FORM 15: In the trial balance shown here the student will notice that, as in Form 14, debits are entered in the left-hand column and credits in the right-hand column. Debits are always placed in the left-hand column and credits in the right.

Resources = Liabilities + Present Worth		
Add		Add
Subtract	Subtract	
Subtract		Subtract
	Add	Subtract
	Subtract	Add

FORM 16: This chart shows how certain changes affect both sides of the question, "Resources equal liabilities plus present worth." If we add to resources, we must add to present worth; if we add to liabilities, we must subtract from present worth.

Resources = Liabilities + Present Worth		
Increase. debit item		Increase: credit item
Decrease. credit item	Decrease debit item	
Decrease: credit item		Decrease · debit item
	Increase: credit item	Decrease . debit item
	Decrease : debit item	Increase: credit item

FORM 17: This chart will enable the student to determine whether any item is a debit item or a credit item. He should study it carefully until he is sure just when to debit or credit any item. If he gets the idea now, it will save trouble later on.

we did before, our liabilities remain at $8. Our present worth, therefore, has increased $3.

2. $10+$3=$8+$2+$3

or 3. $13=$8+$5

Let's suppose, however, that we pay some of our debts with that $3. Our liabilities are immediately reduced from $8 to $5, and our resources have decreased from $13 to $10. The equation now looks like this:

4. $13−$3=$8−$3+$5

or 5. $10=$5+$5

Where to find debits and credits. Throughout all these equations the resources have been on the left-hand side, and the liabilities and present worth on the right-hand side. In bookkeeping all entries on the left-hand side are called debits and those on the right-hand side are called credits.

The resource items in the trial balance on page 23 are cash on hand, goods on hand, and money owed us by other individuals or business houses, the liability items, what we owe others.

There are also two sides to each of these items—a debit side and a credit side. And the most important principle in bookkeeping is based upon the distinction between these two sides and upon the factors determining whether an item shall be entered on the debit side or on the credit side.

A useful definition. From the above, the general law of debit and credit may be stated thus: Any item which increases resources, decreases liabilities, or decreases present worth is a debit; any item which decreases resources, increases liabilities, or increases present worth is a credit.

When in doubt as to whether an item is a debit or a credit, ask yourself these questions:

Does it increase resources? Does it decrease liabilities? Does it decrease present worth?	If so, it is a debit, and should be placed on the left-hand side.
Does it decrease resources? Does it increase liabilities? Does it increase present worth?	If so, it is a credit, and should be placed on the right-hand side.

BOOKKEEPING PRACTICE

Preparing a trial balance

The student should prepare a trial balance from the following statement as of January 18:

A. L. James is the proprietor of a store in which he has invested as owner $2,156.85; he has cash in the bank, $387.72, and in the safe and cash drawer, $84.48; he owns merchandise in the store to the value of $1,927.66; the following persons owe him the amounts indicated on account: J. B. Harz, $87.52; E. L. Wirt, $112.86; J. R. Real, $94.75; O. M. Stratford, $29.58; F. G. Tyree, $285.93; his debts to others are as follows: J. L. Slavin Plumbing Co., $67.90; The Wholesale Grocery and Supply Company, $247.85; The Office Furniture Co., $312.75; E. M. Excel and Co., $225.15.

This trial balance shows that Mr. James' books are in balance on January 18. Every transaction that takes place after the trial balance has been made up will change the amounts shown in at least two of the items, in one of the debit items and in one of the credit items.

For example, if Mr. James now receives $25 in cash, his cash item (which is the debit item because it is a resource) is immediately increased from $84.48 to $109.48; and his present worth (which is the credit item) is increased from $2,156.85 to $2,181.85.

What the ledger is for. If, therefore, the trial balance were to show the true facts all the time, it would be necessary to rewrite the entire trial balance after each transaction. To save the time, labor and inconvenience this would cause, all items are arranged under various headings in a book ruled especially for the purpose, called the ledger. Each heading in the ledger is called an account, and under this heading are entered all items concerned with that account, which has both a debit and a credit side, and occupies as much space as may be necessary —half a page, a whole page, or even several pages. Thus the ledger is the book of accounts.

How to take a trial balance from the ledger. In taking a trial balance from the ledger, the debit side of each account is added up, then the credit side. The difference between the two, called the balance of the account, is then obtained. If the debit total is larger than the credit total, this difference is called a

debit balance; if the credit total is larger, this difference is called a credit balance. These balances are then listed on the trial balance sheet, the debit balances in the debit column, and the credit balances in the credit column.

What goes in the cash account. One of the accounts in the ledger is the cash account. Cash which comes into the business increases the resources and is, therefore, according to the general law of debit and credit, always entered on the debit side of the cash account. Outgoing cash decreases the resources and is entered on the credit side of the cash account by the same law. The term "cash" is usually considered as including postal and express money orders, bank drafts and checks, as well as currency and specie.

Form 18 on page 27 shows a cash account as it appears in the ledger, showing the entries from January 1 to January 18. The difference between the total debits and the total credits in this cash account shows the cash balance which was used in making the trial balance in the exercise on page 25. But these amounts as they appear in the ledger give no information as to their source. The ledger account does not indicate for what or to whom the money was paid, nor for what or from whom it was received. Explanations of this kind will be found later.

Personal accounts in the ledger. Accounts with persons or with other business houses are called personal accounts. Transactions with persons or firms are usually of two kinds, and consist of a transfer of cash or a transfer of property. We may buy goods from them or we may sell them goods. We may pay them some money, or they may pay us some money. We may promise to pay them some money, or they may promise to pay us.

What goes in the personal accounts. The person who buys goods from us without paying for them, owes us for the goods and increases our resources (because we can use the amount he owes us to pay our debts). We therefore debit his account. The person to whom we pay money or property decreases our liabilities (because our debt to him is smaller) and we debit his account accordingly.

The person from whom we buy goods without paying for them increases our liabilities (because we owe him for the goods). We

CASH

19--					19--				
Jan.	1		1234	85	Jan.	2		77	92
	4		16	22		3		186	75
	6		2	17		4		53	12
	9		3	75		6		326	31
	18		215	84		10		4	67
	18		10	73		11		20	91
	18		78	54		13		111	37
						18		308	85

FORM 18: The items in the left-hand column of A. L. James' cash account represent cash which comes into the business. They are debit items because they increase the resources. The right-hand column contains the amounts paid out.

F G TYREE. 629 WEST BOULEVARD

19--					19--				
May	5		27	90	May	5		10	00
	14		124	75		19		90	50
	26		83	54	June	9		85	94
June	4		236	18					

FORM 19: No explanations are given in this personal account except dates and amounts. The debit items represent goods F. G. Tyree has purchased without paying for them; the credits, the payments made. How much does he owe on June 9?

therefore credit his account. The person who pays us money or property owes us less; that is, he decreases our resources (because we cannot use what he does not owe us), and we accordingly credit his account.

Form 19 on page 27 shows a personal account as it appears in the ledger. This personal account illustrates the same fact shown in the cash account: that ledger accounts do not give any details as to the transactions except the dates and the amounts.

ACTUAL BOOKKEEPING

Ledger entries

The student should prepare on paper he rules, or on ledger paper, the ledger accounts of the items listed under each of the following heads, using as a model the ledger account shown in Form 19, page 27. The entire exercise should be read once before making any entries.

"Annan & Bolton," debits, Feb. 2, $18.43, Feb. 5, $52.76, Feb. 9, $37.51; credit, Feb. 11, $25.

"Miller Poultry Co.," debits, Feb. 2, $196.85, Feb. 6, $12.10; credits, Feb. 5, $25, Feb. 12, $25, Feb. 19, $25, Feb. 26, $44.05.

"P. F. Victor," debits, Feb. 7, $19.75, Feb. 14, $38.62; credits, Feb. 15, $19.75.

"J. L. Hurlburt," debits, Feb. 1, $64.37, Feb. 8, $12.90; credits, Feb. 16, $50, Feb. 25, $6.09.

"R. T. Johnson," debit, Jan. 5, $23.25.

"J. W. Jackson," debit, Jan. 1, (old balance from 1917) $257.19; credits, Jan. 26, $25, Feb. 2, $25, Feb. 9, $25, Feb. 16, $25, Feb. 23, $25.

"M. Y. Beacon," debits, Jan. 10, $25.75, Jan. 17, $15.40, Jan. 24, $16.69.

"Chickasaw Incubator Co.," credits, Jan. 5, $18.25, Jan. 17, $22.64, Feb. 5, $26.51.

"Maize Milling Company," debits, Feb. 12, $25, Feb. 15, $40; credits, Jan. 31, $40, Feb. 7, $47.75.

ACTUAL BOOKKEEPING

Opening the ledger of the Valley Poultry Yard

The debits and credits listed in the preceding exercise form the complete list of personal accounts of the Valley Poultry Yard on March 1.

The student will now take charge of the books of this company, and enter upon his duties at once, reading through the entire exercise

at least once before starting work, to make sure that he understands thoroughly just what is expected of him.

As suggested earlier in the chapter, the first step is to prepare a trial balance. The company owns property as follows:

5 acres of land valued at $200 an acre
20 colony houses valued at $20 each
1 hatching cellar valued at $500
1 incubator of 5,000-egg capacity valued at $750
3 incubators of 500-egg capacity valued at $100 apiece
1 laying house valued at $350
20 brooders (200 chicks each) valued at $10 apiece
400 single-comb white leghorn hens worth 75c each
40 single-comb white leghorn roosters worth $1 each
15 cwt. of scratch feed, $30
2 cwt. of chick feed, $5
Feeders, water containers, and so forth, $10
Office furniture and fixtures, $150
Cash in bank, $478.92
Cash in the safe, $87.63

Three "notes receivable" are held by the company. A note is a written promise to pay a sum of money at a specified time and at a specified place. Here is the information the student needs to have about these notes before making the trial balance.

J. M. Ehret & Co. owe one for $117.60, due 90 days from Jan. 1, 1918.

William Coleman owes one for $75, dated Dec. 15, 1917, due in 6 months.

J. F. Frederick owes one for $112, due 4 months from Feb. 1, 1918.

Two notes payable are outstanding. These are the company's promises to pay the amounts stated.

We owe one for $450 to A. B. Parson, dated Dec. 1, 1917, due in 6 months.

We owe one for $236.50 to L. R. Beman, dated Feb. 12, 1918, due in 90 days.

There is a mortgage on the land for $500, held by the First Savings & Trust Co., on which interest is payable at 6% semiannually on Jan. 1 and July 1.

The interest calculated on the notes receivable from the date of each note to March 1 amounts to $2.62. The interest calculated in the same way on notes payable and on the mortgage payable (Jan. 1 to March 1) amounts to $12.27. The student will not at this time make any entries for interest in the book.

The proprietor's account (sometimes called "Ownership") shows also a credit balance of $4,076.18.

STANDARD QUESTIONS

Taking a trial balance

1. What information does the proprietor or manager of a business ask the bookkeeper to give him? Where can the bookkeeper find this information?
2. In taking charge of a set of books, what must the bookkeeper determine? Where can the bookkeeper find the information he needs in taking charge of a set of books?
3. What can you do to find out whether the books are correct?
4. What is an inventory?
5. What is a trial balance?
6. How many kinds of items are there in a trial balance? What are they? In which column of the trial balance does each kind of item go?
7. Of what mathematical formula is bookkeeping an application? Show how this is applied.
8. By what mathematical process must all items be entered? Why?
9. State the general law of debit and credit.
10. What questions may be asked to determine the application of the law?

STANDARD QUESTIONS

How to make entries in the ledger

1. What would be necessary in order to keep a trial balance up to date?
2. Where are accounts kept? How much space is given to each?
3. How would you find the balance of an account?
4. What is a debit balance? A credit balance?
5. How can you take a trial balance from the ledger?
6. What is entered on the debit side of the cash account? On the credit side? How is this an application of the general law?
7. What information is not included in a ledger account?
8. What is a personal account?
9. In what cases do you debit a personal account?
10. When do you credit a personal account?

PART TWO

IN the trial balance prepared in the preceding lesson for the Valley Poultry Yard, several items could be classified under certain headings. These headings were:

Real Estate	Mortgage Payable
Equipment	Personal Accounts Receivable
Feed	Personal Accounts Payable
Stock	Office Furniture and Fixtures
Notes Receivable	Cash
Notes Payable	Ownership or Net Credit

How to open the ledger. The trial balance of the Valley Poultry Yard, arranged in this way, is shown in Form 20 on page 33. From this trial balance the student should now open the ledger for the Valley Poultry Yard; that is, he should place the headings shown in the trial balance over suitable spaces in the ledger and make the first entry under each heading, except in the cases of Personal Accounts Receivable, Personal Accounts Payable, and Cash.

Personal Accounts Receivable are those accounts with persons who owe us a balance. Personal Accounts Payable are those accounts with persons to whom we owe a balance. While these are entered in the trial balance under two headings, in the ledger each person or firm will have an account separate from the others because one which shows a balance due us at this time may show that we owe the balance to the other person when the next trial balance is made; so these accounts are constantly changing back and forth. The treatment of Cash will be explained in Part Three of this section.

What each ledger account must show. Headings of the accounts in the ledger should be written with neatness and care. It is an excellent plan to write not only the name at the head of personal accounts, but also the address. The trial balance will show whether the balance in each case should go on the debit or the credit side. If an item is in the debit column of the trial balance it belongs on the debit side of the ledger account. With the amount in each case must be shown also the date. After all the accounts are complete in the ledger, the student should go over them carefully a second time and check each item to be sure that all are entered and that none has been placed on the wrong side.

The use of capital letters in all kinds of technical books is subject to certain arbitrary rules of procedure. To avoid con-

fusion and to procure the advantages of uniformity, the student should observe the following directions.

Use capitals in speaking of an account by name, thus: Enter this item under Notes Payable. Under other circumstances do not capitalize an account, thus: The notes payable account is not a loss and gain account.

How much space to allow. The amount of space to be allowed for an account in the ledger depends upon the number of entries likely to be placed in it. If a looseleaf ledger is used, one leaf or one page would be allowed for each account. If a card ledger is used, each account would have its card. In a bound ledger accounts may appear on the page under separate divisions of ruling where the accounts are short, or the ruling may extend from the top of the page to the bottom. In the latter case, if less than a page is needed, the titles of the accounts are written across the vertical ruling regardless of the lines. Unless other instruction is given, two, three, or four accounts can be placed on a page, according to the length of the page and the number of pages in the book.

Opening through the journal. Forms 21 to 38 on pages 34 to 37 show the ledger accounts of the Valley Poultry Yard as they should stand after opening this book from the trial balance. Many accountants prefer to open the ledger accounts through a journal entry because in that way explanations are made a part of the record in a bound book and because the journal is recognized as higher authority in some of its legal aspects than the trial balance. When the journal entry method is used the cash entry must be checked out of either the journal or the cash book to avoid duplication. Of course it would make no difference in the result, that is, in the accounts as they stand in the ledger after the opening, whether the accounts reach their place in that book in one way or another. They would stand in any case as shown in Forms 21 to 38. In order to make both methods clear, the journal will be taken up here.

The day book. Early in the history of bookkeeping all transactions were written out in detail in a big book called the day book, so called doubtless because it was the record from day to day of each transaction as it occurred. The day book was

THE VALLEY POULTRY YARD
Trial Balance, March 1, 19--

folio	ledger account		debits		credits	
	REAL ESTATE		1500	00		
	5 acres of land $1000.00					
	Hatching cellar 500.00					
	EQUIPMENT		2010	00		
	1 incubator (5,000-egg) $750.00					
	3 incubators (500-egg each) @ $100.00					
	1 laying house $350 00					
	20 brooders (200 chicks each) @ $10.00					
	20 colony houses @ $20.00					
	Feeders, water containers, etc., $10.00					
	FEED		35	00		
	STOCK		340	00		
	400 laying hens (s c. w. l.) @ $ 75					
	40 roosters (s c w. l.) @ $1 00					
	NOTES RECEIVABLE		304	60		
	J. M. Ehret and Co 1/1/18 90 days $117.60					
	Wm. Coleman 12/15/17 6 months $75.00					
	J. F. Frederick 2/1/18 4 months $112.00					
	NOTES PAYABLE				686	50
	A. B. Parson 1/1/17 6 months $450.00					
	L. R. Beman 2/12/18 90 days $236.50					
	MORTGAGE PAYABLE				500	00
	PERSONAL ACCOUNTS RECEIVABLE		446	68		
	Annan and Bolton	$83.70				
	Miller Poultry Co.	89.90				
	P. F. Victor	38.62				
	J. L. Hurlburt	21.18				
	R. T. Johnson	23.25				
	J. W. Jackson	132.19				
	M. Y. Beacon	57.84				
	PERSONAL ACCOUNTS PAYABLE				90	15
	Chickasaw Incubator Co.	67.40				
	Maize Milling Co.	22.75				
	OFFICE FURNITURE AND FIXTURES		150	00		
	CASH		566	55		
	On hand	87.63				
	In bank	478.92				
	OWNERSHIP OR NET CREDIT				4076	18
			5352	83	5352	83

FORM 20: The debit items in this trial balance, the student will notice, consist of the Valley Poultry Yard's resources, i. e., cash, property, notes and accounts receivable. The credit items consist of liabilities, i. e., notes and accounts payable and a mortgage payable, and, to balance the debits, ownership or net credit.

VALLEY POULTRY YARD OWNER'S ACCOUNT

						19-- March	1					4076	18

FORM 21

REAL ESTATE

19-- March	1	Inventory		1500	==									

FORM 22

EQUIPMENT

19-- March	1	Inventory		2010	==									

FORM 23

FEED

19-- March	1	Inventory		35	==									

FORM 24

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STOCK

19--												
March	1	Inventory			340	==						

FORM 25

NOTES RECEIVABLE

19--												
March	1	1/1/18 90 ds.			117	60						
		12/15/17 6 mo			75	==						
		2/1/18 4 mo.			112	==						

FORM 26

NOTES PAYABLE

							19--						
							March	1	1/1/17 6 mo.		450	==	
									2/12/18 90 ds.		236	50	

FORM 27

MORTGAGES PAYABLE

							19--						
							March	1			500	==	

FORM 28

ANNAN AND BOLTON

19--				
Mar.	1	Balance	83	70

FORM 29

MILLER POULTRY COMPANY

19--				
Mar.	1	Balance	89	90

FORM 30

P. F. VICTOR

19--				
Mar.	1	Balance	38	62

FORM 31

J. L. HURLBURT

19--				
Mar.	1	Balance	21	18

FORM 32

R. T. JOHNSON

19--				
Mar.	1	Balance	23	25

FORM 33

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J. W. JACKSON

19--											
Mar.	1	Balance			132	19					

FORM 34

M. Y. BEACON

19--											
Mar.	1	Balance			57	84					

FORM 35

CHICKASAW INCUBATOR COMPANY

					19--						
					Mar.	1	Balance			67	40

FORM 36

MAIZE MILLING CO.

					19--						
					Mar.	1	Balance			22	75

FORM 37

OFFICE FURNITURE AND FIXTURES

19--											
Mar.	1	Inventory			150						

FORM 38

regarded as a most important book, since it contained the original record of each transaction. For this reason the day book was considered good evidence in court if it contained no erasure.

As it became desirable to classify the entries into debits and credits, a second book, ruled with two money columns, came into use. This was the journal. The day book was still written up in full, but all the entries in it were regularly transferred to the journal, where the debits were placed at the left and the credits at the right.

It was not until bookkeepers realized that there was much useless duplication of labor in writing all the transactions in two books that the day book became of less importance. In many kinds of business it is now almost unknown, and the journal replaces the day book as a book of original entry and, in addition, as a source of authority and evidence, and is recognized as such by courts of law.

Why "journalizing" is important. Making the entries in the journal requires care and judgment in determining the exact division of each transaction into its component debits and credits. The process is called journalizing. As we have seen before, this is really the delicate part of bookkeeping; here is where the bookkeeper demonstrates his ability to think or else shows that he is merely a mechanical clerk.

Form 39 on page 39 shows the journal of the Valley Poultry Yard. The student should study each entry carefully until he understands thoroughly the reason for every step.

BOOKKEEPING PRACTICE

Preparing trial balances

The student should prepare trial balances from the following data taken from the records of two businesses, that of C. J. White, and that of E. L. Harrison. After making the trial balances, he should make the journal entries from which the ledger can be opened, and open the accounts of one of the concerns on ledger paper.

1. On January 1, 19—, the records of the business belonging to C. J. White show the following: he has cash on hand $148.12; accounts receivable—from W. F. Southworth $287.63, from Hotel Elwood $55.90, from George Atkins $69.80; notes receivable—from O. J.

JOURNAL

19—							
March	1		The entry for opening the books of the Valley Poultry Yard on this date by (your name).				
		Real Estate	5 acres of land and a hatching cellar	1500	00		
		Equipment	One 5,000-egg incubator, three 500-egg incubators, one laying house, 20 brooders, 20 colony houses, feeders, water containers, etc.	2010	00		
		Feed	15 cwt. scratch feed, 2 cwt. chicken feed	35	00		
		Stock	400 single comb white leghorn hens and 40 roosters	340	00		
		Notes Receivable	J. M. Ehret and Co. 1/1/18 90 ds. $117.60 Wm. Coleman 12/15/17 6 mo. $75 J. F. Frederick 2/1/18 4 months $112	304	60		
		Annan and Bolton	Balance	83	70		
		Miller Poultry Co.	Balance	89	90		
		P. F. Victor	Balance	38	62		
		J. C. Hurlburt	Balance	21	18		
		R. T. Johnson	Balance	23	25		
		J. W. Jackson	Balance	132	19		
		M. Y. Beacon	Balance	57	84		
		Office Furnit. and Fix.	Inventory	150	00		
		Cash	In safe $87.63 In bank 478.92	566	55		
		Notes Payable	A. B. Parson 1/1/17 6 mo. $450			686	50
			L. R. Beman 2/12/18 90 days $236.50				
		Mortgage Payable	To First Savings and Trust Co, Interest payable semi-annually			500	00
		Chickasaw Incubator Co.	Balance			67	40
		Maize Milling Co.	Balance			22	75
		Valley Poultry Yard	Ownership net credit			4076	18

FORM 39: Here is the journal of the Valley Poultry Yard as opened on March 1. As in the ledger accounts and trial balances, the debit column is on the left, the credit column on the right. The student will notice the detailed explanation given of each transaction, in contrast to the lack of explanations given in the ledger.

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Fleharty a note dated Nov. 15, 90 days, for $187.16, from N. P. Winter a note dated Dec. 10, 30 days, for $200.98; he owes accounts payable to N. P. Baker $23.15, to J. W. Laing $74.18, to P. F. Dolan & Sons $113.90; he owes a note payable to R. J. Miller, dated Nov. 10, 60 days, for $87.50; the expense account shows a debit of $32.50. The interest on notes receivable is? The interest on notes payable is? The proprietor's credit is $684.81.

2. On April 1, 19—, the books of the business belonging to E. L. Harrison show the following: cash on hand and in bank $1,630.04; merchandise credit $611.12; expense debit $155.10; accounts receivable —from H. C. Frick $82.50, from H. Livingston $590.11, from L. P. Dennis $123.67, from J. M. Ferree $687.19, from R. C. Smith $1,156.67; personal accounts payable are due to M. W. Mueller $137.82, to R. L. Leese $216.81, to R. M. Sleeper $436.60, to X. C. Scott $482.97; the proprietor's credit is $2,539.96.

STANDARD QUESTIONS

Opening the ledger

1. Of what does "opening" the ledger consist?
2. How may the trial balance be of assistance in opening the ledger?
3. What information must each account which appears in the ledger contain?
4. When is the title of an account capitalized?
5. How will you determine how much space to allow for each account?
6. May the ledger be opened in any other way than through a trial balance? How?
7. What is the history of the "day book"?
8. What book has taken the place of the day book? Does it serve the purpose any better?
9. What is meant by the word "journalizing"?
10. What place does the ability to journalize hold in bookkeeping?

PART THREE

IF every transaction is entered in the journal it is necessary to write out all the debits and credits for each transaction. Time can be saved by placing certain entries in separate books, which might be called supplementary journals. Transactions connected with cash, for instance, may be entered in a book which is called the cash book.

In the cash book the left-hand page is used for debit entries showing cash received, and the right hand page for credit entries showing cash paid.

The cash book. When the cash book first came into use, the entries were made in both the cash book and the journal, and it required some time to get away from the notion that only the day book and the journal could be regarded as books of original entry. Once the idea that several books can be offered as original records became established, it grew rapidly and now there are many other books which take the place of the journal entries and save considerable time and labor.

The use of additional books does not at all decrease the need and importance of classifying entries, described in Part Two as journalizing. On the contrary, it has rather increased the responsibility of the bookkeeper, and whether the original entries are made in the journal, the cash book, or elsewhere, the classification process is still called journalizing and requires all the skill the student may be able to develop.

Classifying cash entries. Of course, the first classification comes in putting all cash items in the cash book. The second classification comes in putting cash received on the left-hand page and cash paid on the right-hand page.

The third classification comes in separating the different items of cash received and cash paid into certain classes for which there are likely to be a large number of transactions, or about which we wish to know the volume.

How to use special columns. This is done by special columns, as shown by the cash book of the Valley Poultry Yard on pages 42 and 43. On the left-hand page there are four special columns headed "Stock," "Eggs," "Chicks," and "General." The first three items represent the main sources of cash received by the Valley Poultry Yard. In the column headed "Account to be credited," should be named the account to be credited for bringing in the cash. The general column is to be used for all other items of cash received.

In the same way and for the same purpose there are four special columns on the right-hand page of the cash book. The heads of these columns show the most frequent ways in which

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money is paid out, and in the column headed "Account to be debited" should be placed the name of the account to be charged (i. e., debited) for the money which has been paid out. In the general column the student will enter all other items of cash going out of the business.

A sufficient statement should be placed in the "explanation" column to make the transaction clear in every case. In the books of the Valley Poultry Yard all entries which do not properly belong in the cash book are to be entered in the journal. The

CASH BOOK DEBITS

Stock		Eggs		Chicks		General		Account to be credited	Explanation of cash received	L F	Date	
						566	55	Balance	Cash on hand and in bank		19— Mar.	1
						132	19	J. W. Jackson	Check to balance account			2
50	75							Stock	Sold 50 hens and 5 roosters			7
						60	==	Annan and Bolton	Received check on account			9
						23	70	Annan and Bolton	Check to balance account			16

FORM 40: Left Hand Page of Cash Book

student should make out all bills for sales, checks for the payment of cash, notes for amounts to paid in that way, and so on.

ACTUAL BOOKKEEPING

Transactions of the Valley Poultry Yard for the period from March 1 to March 20

Enter the following transactions in the proper books, and make out the various forms, if any, required by each transaction, such as bills and checks.

March 1. Bought from the Maize Milling Co. 1 ton of scratch feed, $50, and 2 cwt. of lime, $1.50, for cash. (C. B.) Check.

March 2. Paid A. Brown 1 week's wages $9, check; paid (student's name) for 2 days, $5; received a check from J. W. Jackson to balance his account, $132.19. (C. B.) Deposit in the bank $132.19.

March 4. Bought from the Arkwright Hardware Co. for cash 2 bales 1-inch-mesh poultry netting, 2 feet wide, $7.70 (C. B.); bought from the Kellerstrasse Poultry Co., Fort Wayne, Ind., 100 White Wyandotte hens and 10 roosters, on account, $122.50. (J.)

March 5. Bought from the Maize Milling Co., on account, 2 cwt. of beef scrap, $13. (J.)

March 6. Bought from the Chickasaw Incubator Co., on account, live chick shipping boxes as follows: 500 25-chick size @ 12c, 200 50-chick size @ 17c, 100 100-chick size @ 25c. (J.)

March 7. Sold to the Miller Poultry Co., for cash, 50 single-comb white Leghorn hens and 5 roosters, $50.75. (C. B.)

March 8. Bought from the Pilgrim Poultry Co., Boston, Mass., 100 barred Plymouth Rock hens and 10 roosters, for cash, $105. Check. (C. B.) Deposit $50.75.

CASH BOOK CREDITS

Date		L F	Explanation of cash paid out	Account to be debited	General		Feed		Labor		Expense	
19—												
Mar.	1		1 Ton scratch feed	Feed			50	==				
			2 cwt lime	Expense							1	50
	2		Allen Brown, one week	Labor					9	==		
			(Student's name) 2 days	Labor					5	==		
	4		2 bales poultry netting	Properties	7	70						
	8		100 barred plymouth rock hens and 10 roosters	Stock	105	==						
	9		Allen Brown, one week	Labor					9	==		
			(Student's name) one week	Labor					15	==		

FORM 41: Right Hand Page of Cash Book

March 9. Paid (student's name) for the week, $15, check; paid A. Brown for the week, $9, check; received from Annan & Bolton, on account, a check for $60. (C. B.) Deposit $60.

March 11. Bought for cash 25 shipping cases @ 55c; also 200 1-doz. size parcel post egg carriers @ 3¼c, 150 2-doz. size @ 5½c, 100 3-doz. size @ 7¼c, and 100 4-doz. size @ 9½c, from the Climax Manufacturing Co., check. (C. B.)

March 12. Paid for printing 1,000 letterheads and 1,000 envelops to the F. C. O. T. Printing Co., $7 in cash. (C. B.)

March 13. Bought for cash 2 tons of coal from the Pocahontas Mining Co., $15. (C. B.)

March 14. Paid the Chickasaw Incubator Co. on account, $67.40, check. (C. B.)

March 15. Bought from the Maize Milling Co. 5 cwt. of oyster shell on account, $3. (J.)

March 16. Paid (student's name) for the week, $15; check; paid A. Brown for the week, $9, check; received from Annan & Bolton a check for $23.70 to balance their account. (C. B.) Deposit $23.70.

March 18. Bought from the Maize Milling Co., for cash, 3 bu. oats @ 80c. (C. B.)

March 19. Paid the Maize Milling Co. by check $35.75. (C. B.)

March 20. Bought for cash 1 pair of tires for runabout, $20, from the East Side Tire and Rubber Co., check. (C. B.)

How to prove cash. After he has finished the work for March 20, the student should "prove" cash—that is, see whether the balance in the bank as indicated by the stub of the check book is the same as the cash book shows.

Since it is the firm's policy to keep the cash balance above $500, and it is now below that amount, they have decided to borrow $200 at the bank, by "discounting their note" for 60 days. This makes it necessary for them to prepare a promissory note for that amount.

What a promissory note is. A promissory note is an unconditional written promise to pay a certain sum of money to someone, or to his order, at a specified time. The one who signs the note is called the maker because he makes the promise; the one to whom the promise is made is called the payee because the money is to be paid to him; these are the "original parties" to a note. Forms 42 and 43 on page 45 show two of the various kinds of promissory notes.

If the payee of a note desires to secure the money before the note is due, he may sell the note to someone willing to buy it. A bank is usually willing to purchase a note at its present worth from a responsible person and hold it until the due date, when the bank proceeds to collect the face of the note from the maker of the note.

Discounting a note. When a note is sold it must be indorsed by the one who is selling it, The word "indorse" means "on the back." Hence an indorsement must be written on the back of the paper. This makes the note negotiable because it may then be bought and sold just like any other piece of property which the owner may possess.

Many people know that an indorsement is written on the back across the left end. But which is the left end? The following method is used by a successful manager to emphasize the right way to indorse a note:

$145.60 Millersville, Pa., October 6 19--

Thirty days after date I promise to pay

to the order of T. J. Penton

One hundred forty-five 60/100 DOLLARS

at The Farmers' and Merchants' Bank for value received

Due November 5, 19-- W. P. Ormiston

FORM 42: The original parties to this note are W. P. Ormiston and T. J. Penton. After Mr. Ormiston has given the note to Mr. Penton, it becomes a negotiable instrument, because Mr. Penton can sell it just as he could a book or an automobile.

$386.00 Rockford, Ill., Jan. 17. 19--

On demand after date I promise to pay

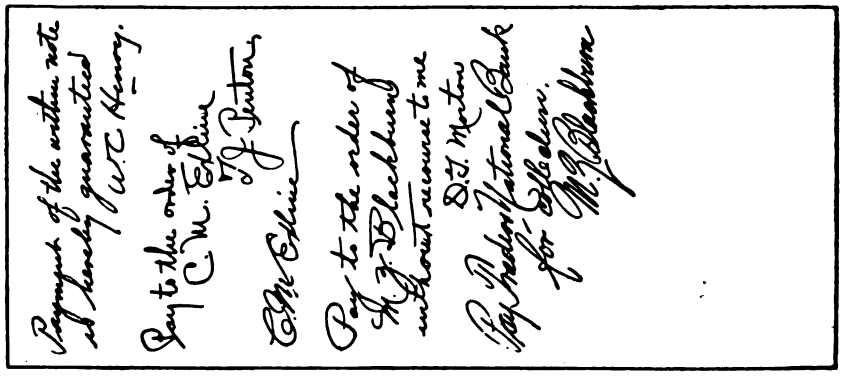
to the order of L. M. Yokum

Three hundred eighty-six NO/100 DOLLARS

at The First Trust and Savings Bank for value received

William J. Harvey

FORM 43: This demand note differs from the note in Form 42 in that it is payable at sight instead of at a definite date. The six points to be watched are the date, amount, time, place, payee, and maker. Who is the maker? Who is the payee?



FORM 44: W. L. Henry indorses this note as guarantor; Mr. Penton sells the paper to C. M. Exline, indorsing it in full; Mr. Exline to D. G. Morton, indorsing it in blank; Mr. Morton to M. Z. Blackburn, indorsing it without recourse, and so on.

Where to indorse a note. "As you read the note, hold it by the left end, in your left hand, your thumb on the face of the note, and your fingers on the back. Now turn your wrist and lay the note face down on the desk, still keeping hold of it in your left hand. The place to write the indorsement is under the fingers of your left hand."

The various forms of indorsements are shown in Form 44 which appears on page 45.

Various kinds of indorsements. Several kinds of indorsements may be used, the two most common being the indorsement in blank, which is merely the signature of the one who is selling the note, and the indorsement in full, by which he designates the person to whom he asks the maker to pay the amount named on the face of the note. For instance, if one were to indorse a note in blank, he would simply sign his name. If he indorses it in full, he writes, "Pay to the order of F. L. Baily," and then signs his name below.

Other indorsements are "without recourse," which releases the indorser from a little of the responsibility of the maker; "for collection," which is used when the paper is placed in the hands of a bank or some other agency to secure payment by the maker; and "for guaranty," which means that the indorser becomes the maker's guarantor, agreeing thereby to pay the amount promised if the maker fails to do so.

If the purchaser of a note cannot collect the money from the maker when it falls due, he can usually compel the indorser from whom he purchased it to refund the value paid for it. All the parties into whose hands the paper comes after it leaves the original payee are called "secondary parties."

How to find the present worth of a note. A note which promises to pay a certain amount on a specified date is not worth that amount until the arrival of the date specified; it is good only for the face of the note less the interest from the date the note is sold to the date of maturity. This value is called the present worth of the note.

A note that bears interest is worth the face of the note plus the interest from the date when the note is made to the date when the note is sold.

BOOKKEEPING PRACTICE

Writing and indorsing notes

The notes and indorsements should be written up from the following information:

1. Write a note dated at your home town, under today's date, for $27.65, payable 45 days after date to C. Y. Zimmerman at the People's Savings & Trust Co., and sign your own name.

2. J. W. Poff gives his note for $177.45, at 90 days, with interest at 6%, to J. M. Stechar, dated at Lincoln, Mo., June 14, 19—, payable at Mr. Poff's office, 144 South Bond St. Mr. Stechar sells the note on June 25 to G. W. Myers, indorsing it in full. On July 10 Mr. Meyers sells the note to E. Y. Bayne, indorsing it without recourse. On July 20 Mr. Bayne sells the note to A. J. Burns, indorsing it in blank. On Sept. 10 Mr. Burns indorses it to the West End Banking & Trust Co. for collection.

3. a. On May 16, 19—, the Popular Provision Co., of Bedford, Ohio, gave a note at 45 days for $125.60 to the Cleveland Fruit & Grain Co., with the Euclid Avenue National Bank as the place of payment. The Cleveland Fruit & Grain Co. discounted the note at the Cleveland Trust Co.'s bank on May 21, indorsing it in blank.

3. b. On the note in Example 3-a, the time already elapsed when it is discounted is 5 days; there remain, therefore, 40 days for which it is discounted. The simple interest on $125.60 for 40 days at 6% is $.83. This, subtracted from the face of the note, for this note does not bear interest, leaves $124.76, the amount the bank would pay for the note on May 21. If the note had been an interest-bearing note, how much would the bank pay for it on June 15?

4. Archer & Smith of Anderson, Ga., gave their note for $244.50 to Russon & Paige on Nov. 21, 19—, for 15 days, payable at the office of the makers, 1440 South Market St., with interest at 6%. At the same time, Russon & Paige gave their note for the same amount, same time to run, and same rate of interest, to Archer & Smith, this note being payable at the office of the makers, 1378 South Market St. On the same day each firm discounted the note received from the other at the Produce Exchange Bank, indorsing in blank.

5. The practice of exchanging "accommodation notes" is illustrated in Example No. 4. By this process both firms are enabled to borrow the present worth of the paper from the bank without asking a disinterested party to become a guarantor. Banks often hesitate to lend money on an unsupported signature, and this arrangement supplies two signatures to each instrument. The Parks & Allen Grain Co. of Duluth, Minn., having secured the D. & D. Towing and Shipping Co. as guarantor, gives its note for $560.50 to the Industrial Savings & Trust Co. for discount. The note is to run for 4 months and is dated

Feb. 12, 19—. Write the note and the two indorsements, one for guaranty and the other in blank.

When does a note mature? When a note is made payable a certain number of days after date, the day on which it is made is not counted, but we start counting with the day after it is made, and count 30, 60, 90, or whatever the number of days is. If, however, the note is due a certain number of months after date, it matures on the same day of the numbered month. A paper dated February 20 and to run 90 days would fall due on May 21:

February	8 days
March	31
April	30
May	21
Total	90 days

But if the same note were to run three months, it would fall due on May 20. If the month in which the note falls due has no day corresponding to that on which it was made, it is due on the nearest day; e. g., a note made on December 31, to run two months, would be due on February 28. If a due date falls on Sunday or on a legal holiday, it is payable on the following day.

Short cuts for figuring interest. Numerous short cuts for figuring interest are practically all modifications of what is called the 6% method. This method is based on a year of 360 days, divided into 12 months of 30 days each. Two months is therefore always equal to 60 days, in using this method, and since the interest on $1 for a year (12 months) at 6% is $.06, the interest on $1 for 60 days (2 months) is $\frac{1}{6}$ of $.06 or $.01, or is the same as the principal with the decimal point moved two places to the left. Hence the interest on any sum for 60 days at 6%, the common rate, is obtained by moving the decimal point two places to the left of where it stands in the principal; e. g., the interest on $125 for 60 days at 6% is $1.25; on $463.76, $4.64, and so on.

If the time for which interest is to be calculated is 30 days, the amount for 60 days is divided by 2; if it is for 90 days, half the amount for 60 days is added; if it is for 72 days, $\frac{1}{5}$ of the amount for 60 days is added. If the rate is 4%, the interest is found as if the rate were 6%; then $\frac{1}{3}$ is subtracted from the result; if the rate is 7%, $\frac{1}{6}$ of the result is added to it, and so on.

Another way of finding the interest on any sum, embodying these same principles in a slightly different and somewhat simpler way, may be stated thus:

Multiply the principal by the number of days, divide the product by 6, and point off 3 more places in the quotient than there are in the dividend.

Notes payable and receivable. The maker of a note, as indicated before, is the one who promises to pay when it falls due. The maker, therefore, calls it a note payable or a bill payable. To him it can never be anything else, but to all others into whose hands the note may come by transfer and indorsement it is a note receivable or a bill receivable, whether it is coming into the business or going out.

How to enter notes in the books. In making the entries for these items in the books, we must of course determine first whether the item is a credit or a debit. A note receivable when coming into the business is obviously an addition to the resources, and the notes receivable account must therefore be debited; when it goes out it decreases the resources, and the account must for this reason be credited.

When a note payable is issued, it increases the liabilities, and the notes payable account must be credited; when it comes back into the business, it decreases the liabilities, and the account must of course be debited.

As each note receivable comes into the business it is entered on the debit side of the notes receivable account in the ledger, where the date and the time to run can be briefly indicated in the explanation column. As each one is paid and goes out again it can be entered on the credit side opposite the debit entry for the same note so that the two entries check easily.

In a similar way notes payable are entered on the credit side of the notes payable account when they are issued and on the same line on the debit side when they come back—that is, when they are paid. This is a common, but not a universal practice.

How to enter interest. When the maker of a note receivable pays the interest on his note, he does so in cash. The business thus has more cash, which is a resource, and therefore "Cash" must be debited. This cash was produced by interest,

"Interest" has made the business worth more—that is, has increased the resources, and Interest must therefore be credited. By the same application of the general law, when money is paid out for interest on notes payable, Interest must be debited and Cash must be credited.

What to do with discount. Discount is the charge made by the buyer of a note (usually a bank) for the use of the money until the note falls due. If a note bears interest, the discount is calculated on the amount—that is, the face plus the interest; if not, it is calculated on the face; in short, the discount is always calculated on the entire amount which will be due at maturity. Discount and interest are so intimately related that they are usually entered in the same ledger account under the title, "Interest and Discount." Discount on any note, whether it be payable or receivable, is a decrease in ownership when paper is going out and is therefore a debit item. On incoming paper discount is an increase in ownership and is therefore a credit item.

The student should take each of the examples on page 47 and determine what should be debited and what should be credited by each of the parties concerned, in both the notes receivable and notes payable accounts, and in Interest and Discount.

Where cash is kept. The student should not forget that the cash belonging to the business is in two places—part of it in the cash drawer and part of it in the bank. As each check is drawn on the bank it is subtracted from the balance on the stub of the check book. When a deposit is made, it is added to the preceding balance so that the stub of the check book will always show exactly how much is left in the bank when all the checks which have been drawn are paid by the bank.

The balance shown by the stub may not always agree with the bank's report to the depositor on the first of the month, because some of the checks drawn may not have been presented for payment, but after these unpaid checks have been deducted from the balance reported by the bank, the difference should agree with the stub.

Proving cash. To prove cash the student should subtract the total of all the entries which have been made on the credit side of the cash book from those which have been entered on the

debit side. If the entries and footings are correct, this difference will be equal to what is in the cash drawer plus what is in the bank.

At this time the stub of the Valley Poultry Yard's check book shows a balance of $363.66 in the bank and there is $50.53 in the cash drawer. The object of proving cash is to show that the entries have been correctly made. If these figures do not agree, some mistake has been made and it should be corrected before any further work is undertaken.

ACTUAL BOOKKEEPING

Transactions from March 22 to March 30

The bank has agreed to accept the Valley Poultry Yard's note for $200 when indorsed by F. J. Wade as guarantor. The student should write the note for 60 days, have the instructor place Mr. Wade's indorsement on it, and take it to the bank, where the proceeds will be credited to the account of the Valley Poultry Yard. He should not fail to add the proceeds as a deposit on the stub of the check book. The note is dated March 21. (C. B. 2 entries).

March 22. Sold for cash 100 Leghorn eggs for hatching, to J. M. Bronson, $8. (C. B.) Sold to Annan & Bolton on account, 200 Leghorn eggs for hatching, $16. (J.)

March 23. Sold for cash 150 Plymouth Rock eggs for hatching, $15. (C. B.) Paid (student's name) for the week, $15; paid A. Brown for the week, $9. (C. B.) 2 checks.

March 25. Sold for cash day-old chicks as follows: P. T. Bryce, 50 white Leghorns @ 10c; E. P. Long, 50 white Leghorns @ 10c; other buyers, 180 white Leghorns @ 10c. (C. B.) Paid Henry Atkins for plowing, harrowing, and seeding, $18. (C. B.) Check. Sold to J. W. Jackson on account, 300 white Wyandotte eggs for hatching, $36. (J.) Deposit $51.

March 26. Sold to the Goodaire Commission Co., on account, 2 cases, 48 doz. eggs for market @ 47c per doz. (J.) Received from M. Y. Beacon check for $57.84 to balance his account. (C. B.) Sold for cash 75 white Wyandotte eggs for hatching, $10. (C. B.) Sold to R. T. Johnson, on account, 100 Plymouth Rock eggs for hatching, $10. (J.) Deposit $57.84.

March 27. Sold to M. Y. Beacon, on account, 50 day-old white Wyandotte chicks @ 15c. (J.) Sold for cash 46 day-old white Wyandotte chicks @ 15c. (C. B.) Sold to the Miller Poultry Co., on account, 200 white Leghorn eggs for hatching, $16. (J.) Bought cabinet of poultry medicines from T. Y. Upson for cash, $10. (C. B.) Check.

March 28. Sold for cash 175 white Leghorn day-old chicks @ 10c. (C. B.) Sold to M. V. Silver, on account, 300 white Leghorn eggs for hatching, $24. (J.) Bought from the Maize Milling Co., on account, 2 tons of scratch feed, $98, 5 cwt. of chick feed, $20, and 10 cwt. of growing feed, $35. (J.)

March 29. Sold to P. F. Victor, on account, 50 white Wyandotte day-old chicks @ 15c. (J.) Sold for cash, 90 Plymouth Rock eggs, 105 white Wyandotte eggs, and 150 white Leghorn eggs for hatching, $33.60. (C. B.) Received from P. F. Victor check for $38.62, on account. (C. B.) Deposit $96.62.

March 30. Sold on account, to P. F. Victor 50 Plymouth Rock day-old chicks @ 12c. (J.) Sold 28 Plymouth Rock day-old chicks for cash, @ 12c. (C. B.) Sold to sundry buyers for cash 30 Plymouth Rock eggs for hatching, $3. (C. B.) Paid (student's name) $15 for the week; paid A. Brown for the week, $9. (C. B.) 2 checks.

The student should prove cash. There is in the cash drawer $66.89; in the bank, according to the stub of the check book, $691.12. Seventeen checks have been issued during the month and 8 deposits have been made.

What "posting" is. The entries which have been made in the cash book and journal should now be transferred to the accounts in the ledger. This work is called "posting." The use of special columns in the cash book saves much of this work, since only the footings of the special columns are posted, not the items. There are no special columns in the journal of the Valley Poultry Yard, so all the items in it must be posted.

The first entry in the journal after the opening of the books is the purchase of the white Wyandotte hens and roosters from the Kellerstrasse Poultry Co. Stock is debited and the Kellerstrasse Poultry Co. credited.

Posting from the journal. To post, proceed as follows: Turn to the stock account in the ledger. It contains one item, the inventory of stock on hand when the books were opened. On the next line, in the second date column, place the figure 4. The name of the month has already been written; it need not be written again until it changes. On the same line with the date, write the amount of the entry ($122.50) in the money column under the $340 already there. In the small column just in front of the money column write the number of the page of the journal from which you are posting, placing in front of it,

either in the same space or in the wide space across the line, the letter J to show that it comes from the journal.

In the journal there is a column headed "l. f." This means ledger folio, and in this column should be placed, opposite each journal entry, the page number of the ledger to which the item was posted. This serves two purposes: not only to show where the item was posted, but also to show that it has been posted. For this reason, the page number should under no circumstances be written in until the posting of the item is finished, and it should then be done before doing anything else.

This completes the posting of the first half of the first entry. The second half is to be posted to the account of the Kellerstrasse Poultry Co.

Since this is the first appearance on the firm's books of the name of the Kellerstrasse Poultry Co., a new account will have to be opened by assigning a space in the ledger and writing its name at the top. Then write the credit on the right-hand side of the new account, placing the year, month, and day in the date column, the amount in the money column, and the page number of the journal in the narrow column ("l. f.").

Proceed in this way with all the entries in the journal, and after all the journal entries have been posted to the ledger, then proceed to post from the cash book.

Posting from the cash book. Post the items from the general column on the debit side of the cash book to the credit side of the accounts named in the column headed "Account to be credited" in the ledger, entering the date, amount, and page of the cash book in the ledger and the ledger page in the "l. f." column of the cash book.

In the same way, post the items from the general column on the credit side of the cash book to the debit side of the accounts named in the column headed "Account to be debited." When this has been completed find the total of the "Stock" column on the debit side and post the sum to the credit of the stock account in the ledger. Do the same with the "Eggs" and "Chicks" columns. Then foot the "Feed" column on the credit side and post the total to the debit of the feed account in the ledger. Do likewise with the "Labor" and "Expense" columns. Be sure to page back in the cash book "l. f." column.

The posting is now completed. The next step is to take the trial balance from the ledger.

As the ledger now stands there should be the following items in the accounts:

Ownership, 1 credit
Properties, 3 debits
Stock, 3 debits and 1 credit
Annan & Bolton, 2 debits and 2 credits
Real Estate, 1 debit
Feed, 5 debits
Notes Receivable, 3 debits
Miller Poultry Co., 2 debits
P. F. Victor, 3 debits and 1 credit
R. T. Johnson, 2 debits
M. Y. Beacon, 2 debits and 1 credit
Notes Payable, 3 credits
Chickasaw Incubator Co., 1 debit and 2 credits
Kellerstrasse Poultry Co., 1 credit
Eggs, 7 credits
Chicks, 4 credits
Discount, 1 debit
J. L. Hurlburt, 1 debit
J. W. Jackson, 2 debits and 1 credit
Office Furniture and Fixtures, 1 debit
Mortgage Payable, 1 credit
Maize Milling Co., 1 debit and 4 credits
Expense, 2 debits
Goodaire Commission Co., 1 debit
M. V. Silver, 1 debit
Labor, 1 debit

The footings of the trial balance are $6,181.85. If the totals do not agree, the steps should be carefully retraced to find out where the error is.

Using the six column statement. Since many bookkeepers still prefer the six column statement for showing the condition of the business at a given time, it will be used in this lesson. The sheet is ruled as shown by Form 45 on page 55.

How to close the cash book. After the balance sheet is found to be correct, the cash book should be closed for the month. To do this the student should proceed as follows:

1. draw a single red ink line under the last amount in each money column;

2. write down the footing of each column on the next line under the red line;

3. draw double red ink lines under the footings of each special column and carry the footings into the general column on the same line;

4. enter the cash balance in red ink in the general column on the credit side;

5. rule a single red line under the last entry in each general column;

THE VALLEY POULTRY YARD

Six Column Statement, March 30, 19--

L F	Title of the Account	Inventories	Trial Balance Debits	Trial Balance Credits	Revenue Accounts Losses	Revenue Accounts Gains	Resources	Liabilities
1	Ownership			4076 18				
1	Real Estate	1500 ==	1500 ==				1500 ==	
1	Properties	2043 32	2062 95		20 63		2042 32	
2	Feed	200 ==	254 ==		54 ==		200 ==	
2	Stock	516 75	567 50	50 75			516 75	
2	Notes Receivable		304 60				304 60	
3	Annan and Bolton		16 ==				16 ==	
3	Miller Poultry Co		105 90				105 90	
3	P. P. Victor		13 50				13 50	
4	J. L. Marlburt		21 18				21 18	
4	R. T. Johnson		33 25				33 25	
4	J. B. Jackson		36 ==				36 ==	
5	M. T. Beacon		7 50				7 50	
5	Office Furniture and Fixtures	148 50	150 ==		1 50		148 50	
5	Notes Payable			886 50				886 50
6	Mortgage Payable			500 ==				500 ==
6	Chickasaw Incubator Co.			119 ==				119 ==
6	Maize Milling Co.			156 ==				156 ==
7	Kellerstrasse Poultry Co.			122 50				122 50
7	Expense		174 90		174 90			
7	Eggs	274 ==		194 16		468 16	274 ==	
8	Goodaire Commission Co.		22 56				22 56	
8	Chicks	53 ==		76 76		129 76	53 ==	
8	M. V. Silver		24 ==				24 ==	
9	Discount		2 ==		2 ==			
9	Labor		128 ==		128 ==			
C B	Cash		758 01				758 01	
			6181 85	6181 85	381 03	597 92	6077 07	1784 ==
	Net gain for the month				216 89			
					597 92	597 92		
	Ownership			4076 18				
	Net gain			216 89				
	Present net capital							4293 07
							6077 07	6077 07

FORM 45: Note the items in the inventory column of this six column statement. Why are the inventories for Properties, Feed, Stock, and Office Furniture and Fixtures smaller than the debit entries? How was the net gain found? How was the present net capital found? What is another name for present net capital?

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6. place the grand total of all entries in the general column on the next line under this red line; these totals should be equal;

7. as a rule more of the credit page of the cash book is used than the debit page; this is because cash is usually paid out in smaller amounts and oftener than it is taken in. Therefore draw a red line clear across the money columns of both pages, at a level just above the total in the general column on the credit page;

8. leave one space and then draw a double red line clear across the money columns of both pages;

9. on the debit page bring down the total of the general column to the last ruling; the cash book is now closed.

10. on the debit page bring down in black ink the cash balance below the last red ink double ruling and date it April 1.

Closing the ledger. Accounts in the ledger are of three kinds:

1. those which show only resources and liabilities, consisting of notes payable, notes receivable, and personal accounts;
2. those which may show losses and gains;
3. ownership or proprietor's account.

In Part One of this section was explained how to balance personal accounts by adding up the debit column and the credit column, and subtracting the smaller sum from the larger, the result being the balance of the account. This is far enough to go in getting the figures for the trial balance, and ordinarily personal accounts in the ledger do not need to be closed oftener than once a year except for special reasons, such as final settlement, legal provisions, loss of the customer or dealer by death or removal, and so on.

How to close a personal account. When a personal account is closed, it is "ruled up" in this fashion:

If both sides of the account balance, a red ink line is ruled under the last entry on both the debit and credit sides. The total of the money column is then brought down and written on the next line, and a double red ink line ruled below it.

The account is now "closed."

If there are more entries on one side than on the other, as is often the case, a second ruling may be made on the short side, even with the long side, and the totals brought down, as shown in Form 46 on page 57.

HALES AND THOMAS

19--						19--					
Oct	1		J7	200	00	Oct	10		C6	200	00
	10		J9	150	00		20		C8	575	00
	16		J11	425	00		30		C11	56	37
	23		J13	38	46					831	37
	28		J15	17	91						
				831	37					831	37

FORM 46

LUCAS AND PRATT

19--						19--					
Nov	1		J16	2000	00	Nov	6		C9	2000	00
	12		J20	175	84		18			432	47
	15		J21	256	63	*Nov*	*30*	*Balance*		*1846*	*63*
	21		J24	1452	76					4279	10
	28		J27	393	87						
				4279	10					4279	10
Dec	1	Balance		1846	63						

FORM 47

PROPERTIES

19--						19--					
Mar	1	Inventory	J1	2010	00	*Mar.*	*30*	*Inventory*		*2042*	*32*
	4		C3	7	70		*30*	*Loss*	*L10*	*20*	*63*
	11		C3	45	25						
				2062	95					2062	95
Apr	1	Inventory		2042	32						

FORM 48

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How to make "closing entries." If the two sides of the account do not balance, the account can be closed only by making what is called a "closing entry." The closing entry in the case of personal accounts which the student may have to close is usually merely a red ink entry on the smaller side of the account, to balance the account, as shown by Form 47 on page 57. The account is then ruled up and the balance brought down on the other side, in black ink.

Accounts which do not balance. Accounts which show losses and gains do not of course balance, and the closing entries are made thus:

1. if there is an inventory showing the value of that kind of property on hand, enter the amount in red ink on the credit side of the account;

2. find the difference between the debit footing and the credit footing;

3. enter the difference on the smaller side in red ink. If that is the credit side, it is a loss; if it is the debit side, it is a gain;

4. carry this difference to the opposite side of the "loss and gain" account in black ink, writing the name of the account from which it came in the explanation column of the loss and gain account and placing the number of the ledger page from which it came in the folio column with an L beside it to show that it came from a ledger account and not from the journal or from the cash book;

5. below the last entry of the account you are closing, rule a single red line on the same line on both sides of the account;

6. place the footings of the account on the next line below this ruling;

7. rule double red lines below these footings across everything except the explanation columns;

8. bring the inventory, if there is one, down below the ruling, on the debit side, in black ink, dating it April 1.

Form 48 on page 57 will show just how it is done.

The inventory of real estate owned by the Valley Poultry Yard is the same as the opening of the ledger, so that account need not be closed.

Closing the loss and gain account. The above instructions are applied to the closing of all accounts which might show losses and gains, whether they actually do so or not. When this

has been done, the loss and gain account is closed into the ownership account by finding the difference between the two sides and carrying it to the ownership account as "Net gain" if the credit side is larger, or as "Net loss" if the debit side is the larger.

Net gain and net loss. If the result of the loss and gain account is a net gain, it will be found on the credit side of the ownership account and the present net capital to be entered on the debit side will be the sum of the previous net capital and this net gain. If the result found was a net loss, it will be on the debit side and the present net capital will be the difference between the previous net capital and this loss. The student will enter present net capital on the debit side in red, rule and foot the account, and bring the present net capital down below the double ruling on the credit side, dating it April 1.

STANDARD QUESTIONS

The cash book

1. What is the object of placing transactions of a certain kind in a separate book? What is usually the first book in which this is done?
2. How does the principle of double entry apply in the cash book?
3. On which side of the cash book do you enter cash coming into the business? Cash going out?
4. What is the reason for having special columns in the cash book?
5. How can you prove cash? What is the purpose of doing so?

STANDARD EXERCISES

Promissory notes

1. What is a promissory note?
2. Who are the original parties to a note?
3. Who is the maker of a note? The payee?
4. What can you do if you need the money before the note is due?
5. Where is a note indorsed?
6. What is an indorsement in blank? In full? Without recourse? For collection? For guaranty?
7. What will a bank pay for a note which is not yet due? How can you find this amount?
8. How is the due date of a paper found?
9. Explain the 6% method of calculating interest How do you find the interest if the rate is other than 6%?
10. What are accommodation notes and what is their purpose?

STANDARD QUESTIONS

How to enter notes payable and receivable in the books

1. To whom is a note "notes payable" or "bills payable"? Why?
2. To whom is it "notes receivable" or "bills receivable"? Why?
3. When a note receivable comes into the business, what entries do we make?
4. When a note receivable goes out, what entries do we make?
5. When a note payable goes out, what entries do we make? When does it come back?
6. When interest is paid to us what entries do we make?
7. When we pay interest, what entries do we make?
8. What is discount? Upon what is it calculated?
9. In what ledger account is discount entered?
10. When paper is going out, what entries are made for discount? When paper is coming in?

STANDARD QUESTIONS

Closing the books

1. Describe the process of posting from the journal; from the cash book.
2. What is the purpose of the l. f. column in the journal and cash book?
3. Is there a similar column in another book? For what purpose?
4. Describe the process of closing the cash book.
5. How many kinds of ledger accounts are there?
6. How would you close a personal account?
7. What is a "closing entry"?
8. How would you close an account showing gains and losses?
9. What is the purpose of the loss and gain account?
10. What does the loss and gain account show, and into which account is it closed?

SECTION III

BOOKKEEPING FOR A FARM

PART ONE

IN this section the student will take charge of and be responsible for the books of the Kemi Truck and Fruit Farm. Although the business of this concern is a little different from that of the Valley Poultry Yard, the student will find that he can use practically all of the experience he has gained.

The first step. The inventory on May 1, 19— is:

Acreage (value of land only) 12 acres @ $200
Tools and implements (wagon, $50; plows, and so forth, $50; other tools, $500)
Tractor, $750
Auto truck, $800
Potatoes, 50 bu. @ 80c
Poultry, $35
Apiary, 10 hives @ $2.50
Fertilizer, 4 T @ $15
House, $4,500
Barns and other outbuildings, $1,050
Automobile, $800

There is a mortgage payable of $1,000; the bills and notes payable account indicates that the farm owes three items of $150, $87.50, and $63.25; the bills and notes receivable account shows two items of $262.75 and $112.40.

The ledger also shows that there is due the farm from Hotel Elmwood, $136.40; from Goodaire Commission Co., $164.72, and from P. W. Northwood Co., $18.62. The farm owes the Agricultural Implement Co., $76.80, and the Valley Poultry Yard, $6. There is cash on hand and in the bank, $647.84. The farm is owned by Mr. A. B. Mann, to whose account the present net capital is to be credited.

The student should make a trial balance from the items on page 61 and open the necessary accounts in the ledger, allowing about half a page for each account.

The farm cash book. Mr. Mann wishes to have separate accounts kept with Potatoes, Vegetables (other than Potatoes), Tree Fruits, and Small Fruits for income and with Expense, Auto Truck and Fertilizer for outlay. In order to do this easily the student should use a cash book ruled with five columns on the debit side and four on the credit, so as to have a general column on each side and four special columns on the debit side and three on the credit side.

The journal has four special credit columns in addition to the two general debit and credit columns, or six columns in all, as shown in Form 49 on page 63.

The customers of the farm. Mr. Mann sells most of the products of his farm at wholesale; that is, in large quantities. He also has a few customers to whom he sells at retail; that is, in small quantities. These are:

F. M. Stone, 1482 West 90th St.
E. G. Gessler, 1284 West 89th St.
J. G. Morton, 1376 West 90th St.
O. R. Jones, 1307 West 89th St.
L. M. Roberts, 1634 West 89th St.
T. P. O'Connor, 1512 West 90th St.
R. C. Osborn, 8916 Welles Ave.
A. R. Leonard, 9021 Welles Ave.

In keeping accounts with these retail customers it is not desirable to fill the general books with the small items, but it is none the less necessary to have an accurate record. That record must be made at the time the goods are delivered and in such a way that the results can be readily transferred to the general books, the cash book, ledger, journal, and so on.

The petty sales ledger. Various methods, more or less complicated, have been tried, but many of them have been found to sacrifice completeness to secure simplicity, while others did the reverse. To retain both these necessary elements a loose-leaf form of petty sales ledger is suggested, as shown in Form 50.

JOURNAL

Date	l f	Accounts	Explanation	Debit	Credit				
				General	General	Vege-tables	Pota-toes	Tree Fruits	Small Fruits

FORM 49: Six Column Journal

NAME F. M. Stone

ADDRESS 1432 West 90th St.

Date		Description	Goods Sold									
19—			Vege-tables		Pota-toes		Tree Fruits		Small Fruits		Other Goods	Payment Rec'd.
May	4	Asparagus		30								30
	7	"		30								30
	11	"		25								
	14	Lettuce and radishes		49								
	21	Asparagus		40								1 14
	25	5 lbs. Peas		65								65
	28	Asparagus		40								

FORM 50: Petty Sales Ledger

THE ROMANY MASSAGE CREAM COMPANY No. 76

Albany, N. Y. April 11 19--

At sight pay to the order of A. B. Smith ---------- $ 34.62

---------- Thirty-four ---------- 62/100 DOLLARS

Value received, and charge to the account of

To Graef and Jennings
Erie, Pa.

The Romany Massage Cream Co.
C. L. Jennings
Secretary—Treasurer

FORM 51: Sight Draft Payable When Presented

THE ART NEEDLEWORK EXCHANGE AND MANUFACTURING CO.

No. 67

Charleston, S. C. Sept. 25 19--

At fifteen days sight pay to the order of

---------- The Amoskeag Manufacturing Co. ---------- $ 159.25

---------- One Hundred Fifty-nine ---------- 25/100 DOLLARS

Value received and charge to the account of

To The Boston Leather Co.,
Boston, Mass.

The Art Needlework Exchange and Mfg Co.
S. J. Martin
Treasurer

FORM 52: Draft Payable a Certain Time After Sight

THE ART NEEDLEWORK EXCHANGE AND MANUFACTURING CO.

No. 67

Charleston, S. C. Sept. 25 19--

At fifteen days sight pay to the order of

ACCEPTED SEPT. 28 19-- Boston Leather Co. E. J.

---------- The Amoskeag Manufacturing Co. ---------- $ 159.25

---------- One Hundred Fifty-nine ---------- 25/100 DOLLARS

Value received and charge to the account of

To The Boston Leather Co.,
Boston, Mass.

The Art Needlework Exchange and Mfg Co.
S. J. Martin
Treasurer

FORM 53: Acceptance

Pittsburgh, Pa. October 12 19--

THE ELECTRIC MANUFACTURING AND SUPPLY COMPANY

----- Sixty Days ------ after date pay to the order of

Ourselves ---------- $ 244.81

-- Two Hundred Forty-four 81/100 DOLLARS

ACCEPTED OCT. 20 19-- Payable at the FIRST NATIONAL BANK The Harter Co.

Value received and charge to the account of

To The Harter Co.
Meadville, Pa.

The Electric Mfg and Supply Co.
H. A. Kaiser
Secretary—Treasurer

FORM 54: Time Draft

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In the petty sales ledger all sales to customers are entered at the time of the sale, together with any payments received. In this case the petty sales ledger is divided into five columns to correspond with the special accounts kept.

The petty sales ledger account. An account in the general ledger, called Petty Sales Ledger, is opened and at the end of each month the total of all sales would be debited to that account and the footings of the special columns would be credited to the accounts indicated at the tops of these columns; at that time also Cash would be debited and Petty Sales Ledger credited for the total amount of the "Payment received" column of the petty sales ledger.

What a draft is. In keeping the Kemi Truck and Fruit Farm's books, the student will make entries for drafts or bills of exchange. A draft or bill of exchange is a written request by one person asking a second person to pay a certain sum of money at sight or at some future time to a third person or perhaps to the one making the request. "At sight" means simply "when presented." Form 51 on page 64 shows a sight draft.

How many original parties to a draft? There are three original parties to a draft:

1. the drawer, the one who draws the paper or makes the request;
2. the drawee, the one on whom it is drawn or who is asked to pay;
3. the payee, the one in whose favor it is drawn or who is to receive the money.

As indicated in the preceding paragraph, the drawer and the payee may be the same person.

Drawing a draft is merely making a request. It creates no obligation on the part of the drawee. He does not have to pay it just because he has been asked to do so, but if he is willing to pay it as requested, he writes across the face of the draft the word "Accepted," the date, and his name; this is his "acceptance" of the request; that is, he accepts the obligation and agrees to pay the money for the drawer. The paper is then called an acceptance, illustrated by Form 53 on page 64.

How a draft is accepted. The acceptance of a draft may be written on the face or on the back; it may even be written on another paper, and in a few cases it has been held by law to be valid when made by a telegram or orally. These are extreme cases, and acceptances so made may cause much trouble and long-drawn-out court actions. The simple way is to write the acceptance across the face of the draft.

In the draft shown in Forms 52 and 53 the drawer is the Art Needlework Exchange and Manufacturing Co.; the drawee, who becomes the acceptor when the acceptance is written, is the Boston Leather Co.; the payee is the Amoskeag Manufacturing Co. This acceptance will be due on October 13, which is 15 days after the date of acceptance.

Another form of time draft is shown in Form 54. This draft, or, as it is now called, this acceptance, will be due December 11. It is due on that date regardless of the date it is accepted, so long as it is accepted before the due date.

How drafts are classified. Drafts are classified

1. as to time of payment into
   a. sight drafts, payable at sight, and therefore needing no acceptance
   b. time drafts, payable some time after sight or after date, which become bills receivable of the payee and bills payable of the drawee after the drawee accepts and thus becomes the acceptor
2. as to locality into
   a. domestic or local drafts, which are drawn for payment between persons in the same country or state, and
   b. foreign bills of exchange, which are drawn between persons in different countries or different states
3. as to relationship into
   a. commercial when drawn by business houses, firms, companies, or individuals, among themselves or in favor of banks, and
   b. bank drafts when drawn by a bank on its correspondent in another city and sold to the public for the purpose of facilitating exchange.

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The chart shown in Form 56 on page 69 will help in the classification of draft entries. The student should make a copy of the chart and then try to reproduce it from memory.

Entries for time drafts. The drawer debits the payee because in the payee's account liabilities are being decreased, and credits the drawee because in the drawee's account resources are decreasing. The drawee debits the drawer because the drawer's account is decreasing his liabilities and credits Bills (or Notes) Payable because in that account his liabilities are increasing. The payee debits Bills (or Notes) Receivable because in that account his resources are increasing and credits the drawer

THE NATIONAL BANK OF COMMERCE

Nashville, Tenn. Feb. 11, 19--

Pay to the order of A. F. Gordon $455.25.

Four Hundred Fifty-five 25/100 DOLLARS

To THE SEABOARD NATIONAL BANK
NEW YORK

J. O. Gibbons
Cashier

FORM 55: Bank Draft

because in the drawer's account his resources are decreasing. If the drawer draws in his own favor and is both drawer and payee, he debits Bills Receivable and credits the drawee, while the drawee, in his books, debits the drawer and credits the bills payable account.

Entries for sight drafts. The drawer debits the payee and credits the drawee as in time drafts. The drawee debits the drawer and credits Cash. The payee debits Cash and credits the drawer. If the drawer draws in his own favor, it is a simple cash book entry for both parties. He will debit Cash and credit the drawee, while the drawee in turn will credit Cash and debit the drawer.

Drafts deposited for collection. No entry is made until the bank reports the result of the collection, when it becomes the same as an ordinary payment of cash by the drawee to the

drawer, except for the bank's fee, which is charged to the collection account if one is kept, and is otherwise charged to the expense account.

BOOKKEEPING PRACTICE

How drafts are handled

The student should write the draft in each of the following exercises. After having written the draft, he should rule a blank sheet to make spaces like those in Form 56 on page 69, then analyze the entries which each of the respective parties would make in their books, and place them in the proper spaces on the blank, with the reasons. He should also write out the entries in simple journal form, which the drawer, the drawee, and the payee would make in their own books.

1. J. W. Allen draws a sight draft on L. M. Arthur in favor of T. P. Kohn for $63.75 on January 10, 19—.

2. The M. Y. Crane Co. draws a draft payable 60 days after sight on The Cottage Creamery Co. in favor of Elliott & Martin, $243.90, on Feb. 8, 19—. The draft is accepted on Feb. 15. On Feb. 21 this acceptance is sold by Elliott & Martin who indorse it in full to T. C. Freeman.

3. On March 12, 19—, the Van Horn Iron Works, through its treasurer, W. R. Steed, draws a draft at 45 days after date in its own favor, on The Pattern Supply Co. for $77.86. The draft is accepted on March 16. On March 27 the draft is sold to the State National Bank, being indorsed in blank.

4. J. L. Thompson is sending an order for goods to the Builders' Supply Co., Aroostook, Maine. With this order he desires to send the money and to do so goes to the People's National Bank in Indianapolis, Ind., and secures a bank draft on the Seaboard National Bank, of New York, for $863.55, paying $\frac{1}{8}\%$ exchange, April 1, 19—. The cashier of the People's National Bank is M. T. Pascoe.

5. Hammond and Parker draw a draft for $234 in favor of Rand, McNally and Co. on J. F. Underwood, on May 11, 19—, at 60 days sight. The draft is accepted May 15. On May 25 the acceptance is sold to L. C. Baker by indorsement in full. It is sold to P. F. Brokaw on June 1 by indorsement in blank. It is discounted at the Exchange National Bank on June 5.

To keep an accurate and complete record of notes and drafts received the bills receivable book is used; likewise the bills payable book for notes and acceptances we shall have to pay. Forms 57 and 58, on pages 70 and 71, are really quite simple, and almost self-explanatory.

HOW TO MAKE THE ENTRIES FOR DRAFTS

(1) TIME DRAFTS

On the books of the	Debit the	Because	Credit the	Because
drawer	payee	liabilities are decreasing in the payee's account	drawee	resources are decreasing in the drawee's account
drawee	drawer	liabilities are decreasing in the drawer's account	Bills Payable	liabilities are increasing in the bills payable account
payee	Bills Receivable	resources are increasing in the bills receivable account	drawer	resources are decreasing in the drawer's account
drawer when he is also the payee	Bills Receivable	resources are increasing in the bills receivable account	drawee	resources are decreasing in the drawee's account

(2) SIGHT DRAFTS

drawer	payee	liabilities are decreasing in the payee's account	drawee	resources are decreasing in the drawee's account
drawee	drawer	liabilities are decreasing in the drawer's account	Cash	resources are decreasing in the cash account
payee	Cash	resources are increasing in the cash account	drawer	resources are decreasing in the drawer's account
drawer when he is also the payee	Cash	resources are increasing in the cash account	drawee	resources are decreasing in the drawee's account
drawee when drawer is also payee	drawer	liabilities are decreasing in the drawer's account	Cash	resources are decreasing in the cash account

(3) DRAFTS DEPOSITED FOR COLLECTION

No entry until bank reports collection, then

drawer	1 Cash 2 Expense	resources are increasing in the cash account ownership is decreasing in the expense account	1 drawee 2 Cash	resources are decreasing in the drawee's account resources are decreasing in the cash account
drawee	drawer	liabilities are decreasing in the drawer's account	Cash	resources are decreasing in the cash account

FORM 56

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BILLS OR NOTES

	Drawee Maker if draft if note.	Endorser Drawer if draft if note	From whom received	Account credited	Where payable	Date Received

FORM 57-A

BILLS OR NOTES

No.	Payee	Drawer if draft	Where payable	Account debited

FORM 58-A

RECEIVABLE

Date				Time to run	Face of the paper		Date paid	Remarks How or when paid and so forth
Accepted if draft	Made if note	Discounted	Due					

FORM 57-B

PAYABLE

Time to run	Date accepted if draft	Date made if note	% Interest bearing	Face of the paper	Date due	Date paid	Remarks How or when paid and so forth

FORM 58-B

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ACTUAL BOOKKEEPING

Transactions of the Kemi Truck and Fruit Farm for May

The student should enter these transactions in the proper books, making out also all forms called for. At the end of the month he should prove cash, post the entries to the ledger, and make a trial balance.

May 1. Bought 50 Rhode Island red chicks from the Valley Poultry Yard @ 12c on %.

May 2. Received cash for draft received Feb. 13 from Hotel Elmwood for $262.75.

May 3. Bought 2 tons of fertilizer for cash, $30.

May 4. Paid office help, $12. Paid outside help, $12. (Salaries are charged to Expense). Paid $2.25 for 10 gallons of gasoline for the tractor. Sold to customers for cash: F. M. Stone, 2 bunches of asparagus @ 15c; E. G. Gessler, 8 bunches onions @ 5c; 2 lbs. lettuce @ 15c; J. G. Morton, radishes, 25c, onions, 30c; O. R. Jones, 12 bunches asparagus, $1.80; L. M. Roberts, 2 bunches asparagus @ 15c; T. P. O'Connor, lettuce, 15c; R. C. Osborn, 4 bunches asparagus @ 15c; A. R. Leonard, 2 bunches asparagus @ 15c, onions 25c. Sold to Hotel Elmwood for cash, 50 bunches of asparagus @ 12½c. Sold to the P. W. Northwood Co. for cash, 50 bunches of asparagus @ 12½c, 12 doz. bunches of young onions @ 35c a doz. Sold to the Goodaire Commission Co. 3 20-lb. baskets of lettuce @ $1.75 a basket on %. Bought for cash 10 gallons of gasoline for the truck, $2.25.

May 7. Sold to customers: F. M. Stone, asparagus for cash, 30c; E. G. Gessler, asparagus on %, 45c; J. G. Morton, lettuce for cash, 30c; O. R. Jones, onions, 70c, and radishes, 40c on %; L. M. Roberts, asparagus on %, 30c; R. C. Osborn, asparagus for cash, 30c. Sold to Hotel Elmwood on % 50 bunches of asparagus @ 12½c. Sold to the Goodaire Commission Co. 3 20-lb. baskets of lettuce @ $1.60 on %.

May 9. Paid our acceptance of March 25 by check, $63.25.

May 11. Paid office help for the week, $12. Paid outside help for the week, $24. Sold to customers: F. M. Stone, asparagus on %, 25c; E. G. Gessler, radishes and onions for cash, 65c, also cash for credit, 45c; T. P. O'Connor, asparagus for cash, 25c; A. R. Leonard, lettuce, 22c, and radishes, 25c on %. Sold to Hotel Elmwood on %, 50 bunches asparagus @ 11c. Sold to the Goodaire Commission Co., on %, 2 20-lb. baskets lettuce @ $1.50, 100 doz. bunches of radishes @ 50c a doz.

May 14. Received a check to pay the Goodaire Commission Co.'s note of March 15, $112.40. Drew a draft on the Goodaire Commission Co. in favor of the Valley Poultry Yard at 30 days' sight for $6. The draft was accepted, Sold to customers: F. M. Stone on %, lettuce, 25c, radishes, 24c; E. G. Gessler on %, asparagus, 38c; J. G. Morton on %, asparagus, 25c; O. R. Jones, asparagus, $1.25 for cash, also cash

for credit, $1.10; L. M. Roberts, asparagus, 25c for cash, also cash for credit, 30c; T. P. O'Connor on %, asparagus, 75c; R. C. Osborn on %, lettuce, 20c, asparagus, 25c; A. R. Leonard on %, asparagus, 50c.

May 15. Paid by check our note of January 15, in favor of A. T. Bardeen, $150. Paid for 10 gallons of gasoline for the tractor, $2.25.

May 18. Paid office help for the week, $12. Paid outside help for the week, $12. Sold to customers: J. G. Morton on %, asparagus, 24c; O. R. Jones on %, lettuce, 50c, onions, 30c; L. M. Roberts for cash, asparagus, 24c; T. P. O'Connor paid cash for credit, 75c; R. C. Osborn for cash, asparagus, 24c, also cash for credit, 45c; A. R. Leonard for cash, asparagus, 48c, also cash for credit, 97c. Sold Hotel Elmwood on %, 50 bunches asparagus @ 10c. Sold the P. W. Northwood Co. on %, 100 bunches asparagus @ 10c, 3 20-lb. baskets lettuce @ $1.25, 20 doz. radishes @ 35c a doz.

May 20. Paid by check our acceptance of April 20 for $87.50. Paid $2.25 for 10 gallons gasoline for the truck. Exchanged notes for $300 at 60 days with A. T. Bardeen. Discounted A. T. Bardeen's note at the bank at 6% for 60 days.

May 21. A. B. Mann withdrew for private use, $100. Bought a carload of barn manure for cash, $40. Bought from A. T. Bardeen on % hand cultivator, $6.90. Sold to customers: F. M. Stone for cash, asparagus, 40c, also cash for credit, 74c; E. G. Gessler for cash, asparagus, 30c, also cash for credit, 38c; J. G. Morton on %, asparagus, 20c; O. R. Jones for cash, asparagus, $1, also cash for credit, 80c; L. M. Roberts for cash, lettuce, 20c, asparagus, 20c; R. C. Osborn for cash, lettuce, 20c, asparagus, 40c; A. R. Leonard on %, asparagus, 50c. Sold Hotel Elmwood on %, 50 bunches asparagus @ 8c, 2 20-lb. baskets lettuce @ $1. Sold the P. W. Northwood Co. on %, 120 bunches asparagus @ 8c, 5 20-lb. baskets lettuce @ $1, 38 doz. radishes @ 35c a doz. Bought 10 gallons gasoline for tractor, $2.25 in cash.

May 23. Drew a draft in our own favor on the Hotel Elmwood at 3 days' sight for $150 and left it at the bank for collection. Received from the Goodaire Commission Co. an acceptance in their favor, drawn by F. M. Fosdick on X. S. Braithwaite, dated May 10 at 30 days' sight, and accepted May 13, for $150, on %.

May 25. Paid office help for the week, $12. Paid outside help, $24. Sold to customers: F. M. Stone for cash, 5 lbs. peas @ 13c; E. G. Gessler on %, 6 lbs. peas @ 13c; J. G. Morton for cash, 6 lbs. peas @13c, also cash for credit, 69c; L. M. Roberts for cash, asparagus, 30c; T. P. O'Connor for cash, 5 lbs. peas @ 13c; R. C. Osborn on %, asparagus, 40c; A. R. Leonard on %, lettuce, 20c, radishes, 15c. Paid $2.25 cash for 10 gallons gasoline for the automobile.

May 27. Paid cash for repairs on the auto truck, $4.25. Sold for cash to the Farmers' Exchange, 2,000 tomato plants @ 75c a hundred.

May 28. Sold to customers: F. M. Stone on %, asparagus, 40c; J. G. Morton on %, asparagus, 50c; L. M. Roberts on %, 10 lbs. peas, @12½c; T. P. O'Connor for cash, 10 lbs. peas @12½c; R. C. Osborn for cash, 6 lbs. peas @ 12½c, also cash for credit, 40c; A. R. Leonard paid cash for credit, 85c. Sold to the Goodaire Commission Co. on %, 50 lbs. peas @ 11c. Sold to Hotel Elmwood on %, 50 bunches asparagus @ 8c. Sold to P. W. Northwood Co. on %, 96 bunches asparagus @ 8c. Bought from the Valley Poultry Yard for cash, 100 Rhode Island red chicks @ 12c.

May 29. The bank reports collection of our draft for $150 on Hotel Elmwood; collection charges, 25c. Paid cash for 10 gallons gasoline for the auto truck, $2.25. Bought for cash, 100 lbs. arsenate of lead powder, $24.50.

May 30. Received a check from the P. W. Northwood Co. for $74.95 on %. Sold to sundry customers for cash, 350 tomato plants, $3.50, 156 pepper plants @ 15c per doz., 96 egg plants @ 30c per doz. Sold for cash, 2 doz. eggs @ 40c a doz. Accepted the Agricultural Implement Co.'s draft at 10 days sight, favor of E. A. Walcott, for $76.80.

May 31. Debit the petty sales ledger and credit Vegetables for the total sales to customers during the month, and make a cash book entry crediting the petty sales ledger for the cash received through that book.

Prove cash, post the entries to the ledger, and make a trial balance.

STANDARD QUESTIONS

The books of the Kemi Truck and Fruit Farm

1. What is the object of using special columns in the cash book and journal?
2. Why are accounts with private customers not kept in the general books?
3. What book is suggested for these accounts? How is it arranged?
4. When and how are the summaries carried to the general books?
5. What elements are necessary in these small accounts?

STANDARD QUESTIONS

Drafts or bills of exchange

1. What is a draft?
2. Who are the original parties to a draft? Which two of these may be the same person or firm?
3. When and how does the obligation arise in the case of a draft?

4. Name several of the various ways in which a draft may be accepted.
5. Which is the best method? Why?
6. How are drafts classified as to time of payment?
7. How are drafts classified as to locality?
8. How are drafts classified as to relationship?
9. What is a bank draft?
10. What entries does the drawer of a time draft make?
11. What entries does the drawee make?
12. What entries does the payee make?
13. How do the entries differ in the case of sight paper?
14. What entries are made in case of a draft which has been deposited for collection?
15. What is the purpose of the bill books?

PART TWO

INTEREST is a premium paid for the use of money. It is usually reckoned as a certain percentage of the sum on which it is paid, and the ordinary rate fixed by law in most states is 6%. When interest is mentioned and no rate is given, it is understood to mean 6%.

How to figure interest. Interest is calculated in three ways, as follows:

1. Simple interest is the interest on the principal of the note for the given time at the given rate, and is found by one calculation.

2. Annual interest is found by adding to the simple interest the interest on each annual instalment which remains unpaid for the length of time from its due date until it is paid.

3. Compound interest is found by adding the interest due at the end of each period of calculation to the previous principal, thus making a new principal for each successive calculation; the compound interest is the difference between the original principal of the note and the total amount which is due at the time of payment.

If a contract is worded to indicate that it bears interest and the kind of interest is not designated, it is taken for granted that it means simple interest.

ILLUSTRATION

1. $500 at 6% for 4 years will amount to how much at simple interest?

principal	× rate	× number of years	= interest
500	× .06	× 4	= 120

principal	500
interest	120
amount	620

2. $500 at 6% for 4 years will amount to how much at annual interest? The interest for the first year was $30 and has remained unpaid for 3 years. The interest for the second year was also $30; this has remained unpaid for 2 years. The interest for the third year was likewise $30, and this has remained unpaid for only 1 year.

	Interest on principal	No. of years unpaid	Interest on unpaid interest
1st year	30	3	5.40
2nd year	30	2	3.60
3rd year	30	1	1.80
4th year	30	0	0.00
	120	6	10.80

Interest on principal	120.00
Interest on interest	10.80
Total interest	130.80
Principal	500.00
Amount	630.80

The solution may be shortened by taking the interest on $30 for 6 years; this involves, however, a license which is not strictly true to mathematics.

3. $500 at 6% for 4 years will amount to how much at compound interest?

principal × rate × years = interest; principal + interest = amount.

1st year $500.00×.06×1=$30.00. $500.00+$30.00=$530.00.
2nd year $530.00×.06×1=$31.80. $530.00+$31.80=$561.80.
3rd year $561.80×.06×1=$33.71. $561.80+$33.71=$595.51.
4th year $595.51×.06×1=$35.73. $595.51+$35.73=$631.24.

If the interest were compounded at shorter intervals (semiannually or quarterly) the principal would increase still more rapidly.

1. The amount due by simple interest is $620.00.
2. The amount due by annual interest is $630.80.
3. The amount due by compound interest is $631.24.

Bank discount. It is the custom of banks to collect the interest on negotiable instruments in advance, calling it discount.

Bank discount is calculated as was explained in Section II, Part Three, on page 50.

Trade discount. A trade discount is very different from the bank discount, and there is no connection between the two. It is a special discount which wholesale houses and manufacturers allow their dealers from the prices printed in their catalogs. If they printed the prices of the articles as they actually were when the catalog was prepared, the catalog itself would be out of date by the time it could be printed, for these prices are constantly changing. It would be necessary to issue new catalogs two or three times each year, and then they would not be wholly reliable.

How to figure trade discount. To avoid this difficulty goods are priced in the catalog at figures higher than they are expected to rise. To adjust this catalog or "list" price to the current market, discount sheets are sent to dealers as occasion requires, allowing a certain percentage "off" the list. Frequently a standing rate is allowed, bringing the price within an approximate range of the market, and then the temporary variations are provided for by one or two additional discounts. Thus, a list price of \$15 per dozen with 40%, 25%, and 10% off means that the actual selling price is only \$6.07. This price is found by the following method:

list price	\$15.
less 40% of \$15	6.
balance	9.
less 25% of \$9	2.25
balance	6.75
less 10% of \$6.75	.68
actual price	6.07

The goods are billed at \$6.07 a dozen, and entries for them are made in the books of both seller and buyer at that price. Any increases or decreases in price are cared for by changing the discounts to correspond.

Cash discount. The opportunity frequently afforded in business to reinvest money in other goods makes it desirable to collect accounts receivable as soon as possible. To accomplish this many houses offer a special discount for immediate payment.

If goods are sold on 30 days' time, for example, a discount of from 2% to 5% is often allowed, provided payment is made within 10 days of the date of the invoice. This has no connection with the trade discount discussed above. In making the entries in the books the face of the bill is entered and if there is a cash discount, a separate entry is made for it in the cash book.

BOOKKEEPING PRACTICE

How to figure interest and discount

1. What is the difference between the simple and the annual interest on $264.50 for 2 years and 6 months at 6% if no payment of any kind has been made in the interval?

2. Interest at the rate of 4% is compounded quarterly at the savings bank. If you have a savings account and deposit $25 on the first of each month, beginning on Jan. 1, 1918, for 1 year, making no withdrawals, and no interest is paid on sums on deposit less than 3 months, how much would be due you on Jan. 1, 1921?

3. J. W. Brill made a note in favor of Angus McKenzie for $112.80 with interest, dated March 16, 1919, for 1 year. The payee had the note discounted at the bank April 30, 1919, for his credit. How much should he add to the stub of his check book?

4. What is the actual cost of pocket knives listed at $25.21 a dozen, 30%, 20%, and 15% off?

5. Which is the better series of discounts for the purchaser—40%, 20%, and 10% off, or 10%, 20%, and 40% off? How much difference would it make on half a gross of carpet sweepers listed at $7.50 each?

6. A. B. Welch arranged to install the fixtures and plumbing in his bathroom. The fixtures are listed at $136, 15%, 10%, and 5% off. The cost of installation is to be $30. He is offered 3% cash discount if the bill is paid within 10 days. To take advantage of this offer he has his note discounted at the bank for 30 days for an amount the proceeds of which will exactly pay the bill. Find:

a. the face of the plumber's entire bill
b. the face of the note
c. how much is saved by having the note discounted instead of waiting 30 days and paying the whole bill.

ACTUAL BOOKKEEPING

Transactions for the Kemi Truck and Fruit Farm for June

The student should enter these transactions in the proper books, making out also all forms called for by each transaction. At the end

of the month, he should prove cash, post the entries to the ledger and make a trial balance.

June 1. Paid office help by check, $12. Paid outside help in cash for the week, $18. Sold Hotel Elmwood on % 50 bunches asparagus @ 8c. Sold the P. W. Northwood Co. on % 100 bunches asparagus @ 8c. Sold to the Goodaire Commission Co. on % 1 cwt. peas @ 10c per lb., 3 20-lb. baskets lettuce @ $1, 50 doz. radishes @ 25c a doz. Sold sundry customers for cash 720 tomato plants @ 10c a doz., 366 pepper plants @ 12c a doz., 90 egg plants @ 25c a doz.

June 3. Bought 10 shares of preferred 7% stock in the General Motor Manufacturing Co. @ $95. Paid $350 by check and gave 2 notes of $300 each at 20 and 40 days with interest at 6% for the balance. Sold to sundry customers for cash, 612 tomato plants @ 10c a doz., 180 pepper plants @ 12c a doz.

June 4. Sold to Hotel Elmwood on % 50 bunches asparagus @ 8c. Sold to the P. W. Northwood Co. on % 94 bunches asparagus @ 8c. Sold to the Goodaire Commission Co. on % 4 20-lb. baskets of lettuce @ $1, 62 doz. radishes @ 25c a doz. Sold to sundry customers 486 tomato plants @ 10c a doz., 96 pepper plants @ 12c a doz., 72 egg plants @ 25c a doz.

June 5. Bought from the Acme Manufacturing Co., paying by check, an underground gasoline tank with accessories, for $36. Paid for installation of tank and pump, $4.80, to Charles F. Horton by check. Bought 200 gallons of gasoline, paying the Standard Oil Co. by check, @ 22c. Sold 12 doz. tomato plants @ 10c a doz.

June 8. Sold to Hotel Elmwood on % 50 bunches asparagus @ 8c. Sold to the P. W. Northwood Co. on % 100 bunches asparagus @ 8c, 2 20-lb. baskets lettuce @ $1. Sold to the Goodaire Commission Co. on % 40 doz. radishes @ 25c a doz., 3 20-lb. baskets lettuce @ $1. Sold to sundry customers 6 doz. eggs @ 40c for cash. Paid office help by check for the week, $12. Paid outside help in cash, $24.

June 10. Paid our acceptance in favor of E. A. Walcott by check.

June 11. Sold Hotel Elmwood on % 50 bunches asparagus @ 8c. Sold the P. W. Northwood Co. on % 77 bunches asparagus @ 8c, 4 half-bushel baskets of wax beans @ $1.25. Sold to the Goodaire Commission Co. on % 120 lbs. peas @ 8c.

June 12. Received check for X. S. Braithwaite's acceptance due today.

June 13. Bought the following goods of the Ajax Manufacturing Co.: 2 steel frame gates 54″ high x 14′ long, listed at $10 each, 25%, 20%, and 10% off; 50 rods of standard wire fencing, listed at 60c a rod, 15% and 10% off; 60 steel line posts @ 40c, 4 end posts @ $5.20, and 4 corner posts @ $6.25, 20%, 10%, and 5% off. Gave our note, indorsed with guaranty by E. A. Speelberg, for 60 days, with interest at 6%, to

the bank for such an amount that the proceeds will exactly pay the bill to the Ajax Manufacturing Co., to whom we send a check for the amount of the bill. Write the note and have it discounted.

June 15. Paid office help for the week by check, $12. Paid outside help in cash, $16. Sold to Hotel Elmwood on % 50 bunches asparagus @ 8c. Sold to the P. W. Northwood Co. on % 3 20-lb. baskets lettuce @ $1, 5 baskets of wax beans @ 90c. Sold to the Goodaire Commission Co. on % 5 baskets of wax beans @ 90c, 82 bunches asparagus @ 8c. Sold for cash 5 doz. eggs @ 40c.

June 18. Sold to Hotel Elmwood on % 10 doz. radishes @ 25c a doz., 1 basket of lettuce, $1. Sold to the Goodaire Commission Co. on % 5 baskets lettuce @$1, 4 baskets wax beans @ 80c, 4 baskets green beans @ 80c.

June 20. Purchased from the Fitch Bros. Co. 10 doz. glass fruit jars @ 55c a doz., 10 doz. jelly glasses @ 18c a doz., and 1 cherry stoner, $1; bill allowing terms of 30 days or 2% off in 10 days, with the goods; paid the bill by check. Sold for cash 2 doz. eggs @ 40c.

June 22. Paid office help for the week by check, $12. Paid outside help for the week in cash, $12. Sold to Hotel Elmwood on % ½ bu. sour cherries, $2. Sold sundry customers for cash 4 bu. sour cherries @ $4. Sold to the P. W. Northwood Co. on % 6 bu. sour cherries @ $4, 3 baskets lettuce @ $1, 6 baskets wax beans @ 75c.

June 24. Sold to sundry customers for cash 5 bu. sour cherries @ $4, 3 doz. eggs @ 40c, 20 qts. strawberries @ 15c. Paid note of June 3 for $300 with interest, due today.

June 25. Sold to Hotel Elmwood on % 2 baskets green beans @ 75c, 2 baskets lettuce @ 90c, 1 bu. sweet cherries, $5. Sold to the Goodaire Commission Co. on % 10 bu. sour cherries @ $4, 6 baskets wax beans @ 75c. Sold to the P. W. Northwood Co. on % 2 bu. sweet cherries @ $5.

June 26. Received from P. W. Northwood Co., C. P. Elwood's note dated May 11 for 60 days, with interest at 6%, for $114.50 in the Northwood Co.'s favor, with the request that we credit them on account for its present worth. Sold for cash 25 qts. strawberries @ 13c.

June 27. Sold to sundry customers for cash 4 bu. sour cherries @ $4, and 6 bu. sweet cherries @ $5, also 2 doz. eggs @ 40c.

June 29. Paid office help by check for the week, $12. Paid outside help for the week in cash, $28.70. Sold to Hotel Elmwood on % 2 baskets wax beans @ 70c and 30 qts. strawberries @ 12½c. Sold to the P. W. Northwood Co. on % 3 bu. strawberries @ $3, 4 bu. sour cherries @ $3.50, and 4 bu. sweet cherries @ $4.50.

Total sales in the petty sales ledger for the month: vegetables, $32.10; small fruits, $12.50; tree fruits, $41. Cash received from these customers, $76.20. Entries in the petty sales ledger must be made by the

driver while delivering; the student will therefore enter in the general books the totals reported by the driver of the wagon from which customers are served; these totals are for the entire month. After posting to the ledger, and proving cash, a trial balance should be prepared.

STANDARD QUESTIONS

Interest and discount

1. What is interest?
2. What is the usual rate of interest charged?
3. When no rate is mentioned, what is understood?
4. In how many ways is interest calculated? Explain each.
5. If a contract is worded "with interest," which kind is understood?
6. How is bank discount found?
7. Explain the reason for trade discounts.
8. What is meant by list price? How is the customer kept informed of the trade discount series?
9. What is cash discount? When and why is it allowed?
10. Which of these discounts appear on the books and which do not?

PART THREE

ACTUAL BOOKKEEPING

Transactions of the Kemi Truck and Fruit Farm for July

The student should enter these transactions in the proper books, making out also all forms called for by each transaction and opening new accounts in the ledger, when necessary.

July 1. Bought from J. P. Austin, 8 young pigs @ $4.50, paying by check. Bought 2 Holstein cows from W. T. Frieman, paying by check $186, and giving our note at 60 days with interest for the balance of $200. Bought 1 ton chopped feed from the National Elevator Co. for $30; terms 2/10, N/30; paid the bill by check. Paid 6 months interest on the mortgage by check, $30.

July 2. Received a check from the Goodaire Commission Co. to balance their account. Sold to sundry customers for cash 3 bu. sour cherries @ $4. Sold to the P. W. Northwood Co. on ⁰⁄₀ 2 bu. strawberries @ $3, 2 bu. currants @ $3.50, 1 bu. raspberries, $4.

July 3. Sold to sundry customers for cash, 32 lbs. wax beans @ 5c, 26 qts. strawberries @ 12½c, 3 doz. eggs @ 38c, 40 lbs. peas @ 10c, and 12 lbs. honey @ 22c.

July 5. Sold to sundry customers for cash 2 lbs. butter at 37c, 10 qts. gooseberries at 10c, 20 lbs. chard @ 5c, 10 bunches parsley @ 2c,

42 qts. strawberries at 12c, 1 bu. apples, $1.50. Paid insurance by check to Wolfe & Zimmerman, $26.50.

July 6. Sold to the Goodaire Commission Co. on % 4 bu. strawberries @ $3.50, 5 bu. raspberries @ $4, 3 bu. gooseberries @ $2.50. Sold to sundry customers for cash 2 bu. apples @ $1.50, 28 lbs. green beans @ 6c, 1 bu. early potatoes, $1.50, 25 bunches parsley @ 2c, 30 kohlrabi @ 3 for 10c. Paid office help by check, $12. Paid outside help in cash, $19.80.

July 9. Sold to the P. W. Northwood Co. on % 2 cwt. peas @ 8c a lb., 6 baskets lettuce @ 60c, 10 baskets wax beans @ 55c. Sold to sundry customers for cash 2 bu. apples @ $1.50, 36 qts. gooseberries @10c, 29 qts. currants @ 13c, 2 bu. early potatoes @ $1.50, 22 lbs. lettuce @ 6c, 30 lbs. green beans @ 5c, 15 qts. strawberries @ 12c, 28 lbs. chard @ 5c.

July 10. Received check on the Farmers' Bank for the note due today. Sold to sundry customers for cash 6 lbs. honey @ 22c, 84 kohlrabi @ 35c a doz., 4 bu. early apples @ $1.25, 27 qts. raspberries @ 15c, 3 lbs. butter @ 38c.

July 13. To meet our note for $300 due today at the bank we gave our check for $150 and the interest due, and a new note for $150 for 30 days, with interest at 6%, payable to the bank. To secure the payment of the note we have the indorsement for guaranty by E. B. Fisher. Write the new note and the check and take up the old note. Sold to the Goodaire Commission Co. on % 10 baskets wax beans @ 55c, 5 baskets lettuce @ 60c, 5 bu. early apples @ $1, 20 doz. bunches root parsley @ 25c a doz., 50 doz. bunches curled parsley @ 15c a doz. Paid office help by check, $12. Paid outside help in cash, $20.

July 16. Sold to the P. W. Northwood Co. on % 500 lbs. cabbage @ 4c, 50 bu. potatoes @ $1.10. Sold to sundry customers for cash 10 lbs. honey @ 22c, 4 lbs. butter @ 40c, 6 doz. eggs @ 35c.

July 17. Sold for cash (check on the Commercial National Bank) to A. M. Lucas, 5 shares of General Motor Manufacturing Co. stock @ $105; paid brokerage ½% of the par value of the stock, receiving the balance from the Althen Bros. Co., brokers. Sold to sundry customers for cash 5 bu. early apples @ $1.10, 28 lbs. chard @ 5c, 34 lbs. green beans @ 5c.

July 19. Paid our note of $300 due today by check to the bank. Paid taxes by check to the county treasurer, H. A. Frantz, $46.

July 20. Sold to Hotel Elmwood on % 5 bu. early apples @ $1, 2 bu. kohlrabi @ $2, 4 baskets lettuce @ 60c. Sold to sundry customers for cash 400 pickling cucumbers @ 75c a hundred, 10 doz. bunches beets @ 50c a doz., 5 doz. eggs @ 40c, 8 lbs. honey @ 22c. Paid office help by check, $12. Paid outside help in cash, $12.50. A. B. Mann withdrew by check for private use, $150.

July 23. Sold to the Goodaire Commission Co. on % 6 bu. kohlrabi @ $2, 5 baskets lettuce @ 60c, 1,500 pickling cucumbers @ 75c a hundred. Sold to Hotel Elmwood on % 4 bu. apples @ $1, 10 doz. bunches beets @ 50c a doz.

July 25. Sold to sundry customers for cash 50 heads cabbage @ 5c, 10 lbs. honey @ 22c, 4 doz. eggs @ 40c, 25 lbs. chard @ 5c, 33 bunches parsley @ 2c, 42 cucumbers @ 3 for 10c.

July 27. Sold to the P. W. Northwood Co. on % 10 baskets wax beans @ 65c, 8 baskets lettuce @ 60c, 10 cwt. cabbage @ $3.50 a cwt. Sold to sundry customers for cash 350 pickling cucumbers @ 80c a hundred, 48 slicing cucumbers @ 3 for 10c, 18 lbs. chard @ 3 lbs. for 10c, 2 bu. apples @ $1. Paid office help by check, $12. Paid outside help in cash, $15.

July 29. Made a contract with the Cypress Building Co. to construct a green house 10′×100′ at a cost of $486. Paid half by 60-day note with interest, the balance to be paid by another similar note when the building is finished. Sold to sundry customers for cash: 60 lbs. green beans @ 5c, 63 slicing cucumbers @ 3 for 10c, 27 lbs. chard @ 3 lbs. for 10c, 39 heads cabbage @ 5c, 16 bunches parsley @ 2c, 2½ bu. apples @ $1.

July 30. Made a payment by check of $200 on the mortgage we owe at the bank. Sold Hotel Elmwood on % 2 baskets lettuce @ 60c, 2 bu. apples @ 90c, 50 lbs. cabbage @ 4c, 4 baskets wax beans @ 70c.

July 31. Sold to sundry customers for cash 12 lbs. honey @ 22c, 5 doz. eggs @ 40c, 6 lbs. butter @ 40c.

Total sales in the petty sales ledger for the month of July: vegetables, $46.18; small fruits, $23.72; tree fruits, $26.80. Cash received from these customers, $90.29.

The student should prove cash, post, and make a trial balance.

If the trial balance fails to balance. Should the trial balance fail to balance, the error will probably be due to:

a. posting to the wrong side of an account;
b. omission of an item which should have been posted;
c. posting the same item twice;
d. an error in calculation;
e. an error in copying.

An inspection of the difference may determine the character of the error. If it is a single figure, it is likely to be the result of either "d" or "e." If the difference is exactly divisible by 9, there has probably been an error in copying in which two figures have been transposed.

An error coming under "a," "b," or "c" will probably be located more quickly if some person other than the one who did the posting calls off the items from the accounts while the one who posted them checks the original entries, because the one who made the error is likely to go over the same ground repeatedly without discovering his mistake.

Finding the error. If the trial balance has been made up of balances, another one may be made up of totals (both sides of all accounts) or vice versa. When the trial balance is made up of totals, the original sources of the items may be footed, taking

L F	Account	Old debit balance (1)	Sources of debit entries (2)	New credit balance (3)	Old credit balance (4)	Sources of credit entries (5)	New debit balance (6)
			Sales Book Cash Book Bill Book Journal and so forth			Purchase Book Cash Book Bill Book Journal and so forth	

FORM 59: This is the form to be used in making a horizontal recapitulation of the ledger, in case the trial balance contains errors which the student is unable to trace by simpler means. How to use it is described in full detail on page 85.

all the debits from books of original entry and footing them, then all the credits, not forgetting to deduct such entries as have been included in closed accounts.

If these results show that one side of the trial balance is much larger than it should be, while the other is too small, the error is likely to come under "a." If one side is correct and the other is too great, the error is likely to come under "c." If one is correct and the other too small, the error may be found under "b."

The last resort. When all other methods fail, it sometimes becomes necessary to resort to a summary of the ledger, or as it

is sometimes called, a horizontal recapitulation. For this purpose a sheet may be ruled with eight columns, like that shown in Form 59 on page 84. This sheet has debit and credit sides so that the first column on each side shows the balance at the beginning of the fiscal period, while the last column on each side becomes the balance at the close of that period. Between these two columns on each side are the summaries of the original entries as shown in each account, showing the original sources. In this summary column "1" should equal column "4" when footed; column "2" should equal column "5"; and column "3" should equal column "6."

Here is the list of inventories of the Kemi Truck and Fruit Farm, as of July 31:

Acreage	$2,400
House	4,500
Barns and Outbuildings	1,293
Tools and Implements	600
Auto Truck	750
Automobile	750
Tractor	700
General Motor Mfg. Co. Stock	525
Apiary	35
Poultry	55
Dairy	386
Hogs	50
Feed	125

From the trial balance and the inventories the student should now make a resource and liability statement, as follows:

RESOURCE AND LIABILITY STATEMENT, JULY 31

Resources

Inventories.....
Accounts Receivable.....
Petty Sales Ledger.....
Cash.....
Total Resources.....

Liabilities

Mortgage Payable.....
Bills Payable.....
Accounts Payable.....
Total Liabilities.....

A. B. Mann's Ownership = Difference = $11,264.99

From the data now on hand, the loss and gain statement can be easily constructed in the following form:

LOSS AND GAIN STATEMENT, JULY 31

Losses

Tools and Implements	
Auto Truck	
Automobile	
Tractor	
Fertilizer	
Expense	
Interest and Discount	
Insurance and Taxes	
Total losses	$930.30

Gains

Potatoes	
Apiary	
Poultry	
Small Fruits	
Tree Fruits	
Feed	
Merchandise Discount	
General Motor Mfg. Co. Stock	
Vegetables	
Dairy	
Hogs	
Total gains	$1,426.11
A. B. Mann's credit	
Plus his net gain	
Equal his present ownership	$11,264.99

The student should close the cash book and ledger, applying the instructions given in Section II, Part Three, pages 58 and 59.

STANDARD QUESTIONS

Transactions of the Kemi Truck and Fruit Farm for July

1. What new accounts are opened on July 1?
2. Who guarantees payment of the note made on July 13?
3. Who guaranteed the note paid on July 13?
4. Why are the inventories of such items as the auto truck, the automobile, and the tractor less than they were on the first of May?
5. Why is the inventory for feed so much larger than all we have bought?

SECTION IV

RETAIL AND PARTNERSHIP ACCOUNTS

PART ONE

GOODS purchased to be sold at a profit are called merchandise. A shoe dealer's stock of shoes—a grocer's supply of groceries—a hardware dealer's supply of tools, household equipment, and everything else that he sells—each of these is merchandise.

The merchandise account. In a business where the number of transactions is not very large, it is frequently customary to enter both purchases and sales of goods in one ledger account, which is called Merchandise. In the merchandise account when kept in this way, are entered all purchases, sales, freight and drayage on purchases, rebates, allowances for shortage or damages on either purchase or sales, goods returned by us or to us, insurance received for losses by fire, and any other entries connected with merchandise.

Goods on hand at the beginning or end of the fiscal period also appear in the merchandise account when it is opened or closed, in the form of the inventory.

Ways of taking inventory. An inventory is a list of goods or property. One method of preparing the list is to count the number or weigh the items in question and then list them. This is done at a time when there is likely to be the least interruption both to the trade of the house and to those who are taking the inventory, often after the rush of the Christmas trading.

Listing the entire stock of goods in a large concern is a tedious and laborious task. Many houses avoid this work by keeping track of all incoming goods through the purchasing department, adding all incoming items to the amount previously on hand. From these stocks nothing is allowed to go out except on requisi-

tions. At the end of each month the totals of purchases minus the totals of requisitions determine the new inventory. When this plan is followed, only some extraordinary disturbance of the stock, such as fire, makes it necessary to take a physical inventory.

Form 60 on page 89 illustrates the merchandise account. The explanations shown in this illustration do not, of course, appear in the ordinary ledger account when posted from the journal, cash book, sales book, or purchase book.

If the items shown in Form 60 had been posted from the sales book, cash book, purchase book, and journal, and the account closed in the usual way, the account would appear as in Form 61.

Merchandise discount. It was stated in Section III, Part Two, that when goods are purchased or sold, a discount is usually allowed for cash. If the transactions connected with merchandise are entered in the merchandise account, it is also customary to enter cash discounts in an account called Merchandise Discount, in which all discounts given by us are debits, and those taken by us are credits.

One objection to this method of recording merchandise transactions is that it violates two principles of good accountancy. In the first place, a merchandise account kept in this way is not truthful. The debit side purports to be a record of the cost of goods purchased, but in Form 60 the items of January 10 and January 15 are not goods purchased, but are deductions from sales already made. If the goods returned on the 15th are resold, as is altogether likely, the account will show another credit for them in the second sale. Thus it is easy to imagine the possibility of the merchandise account showing the sale of more goods than had ever been purchased.

Again, the credit side of the account ostensibly sets forth the sales of goods, but on January 9 there is an item of credit for goods which were never received and hence could never be sold. Another inconsistency which contradicts the supposition—the debit side of the account shows cost prices and the credit side selling prices—there are two items on the debit side at selling prices and five on the credit side at cost prices.

The second principle of good accountancy is that an account should contain only one kind of information—and this account contains half a dozen.

MERCHANDISE

19--					19--				
Jan	1	Inventory	6948	56	Jan	4	Sold on a/c	53	74
	5	Bought on a/c	364	80		6	Cash sales for week	534	87
	8	Paid freight	7	18		9	Shortage	5	50
	10	Allowance	2	25		12	We return goods	37	50
	13	Drayage bills	9	75		14	Cash sales for week	496	21
	15	Goods returned to us	12	84		16	Goods donated	13	60
	18	Bought for cash	187	92		17	Goods taken for use	32	45
	20	Paid freight	3	25		21	Cash sales for week	512	66
						23	Insurance(a/c fire)	3648	50
						31	*Inventory*	*3486*	*50*

FORM 60: In this merchandise account some of the items represent cost prices and some selling prices. On the debit side, the goods bought on January 5 are entered at cost and the goods returned January 15 at selling price. Is this logical?

MERCHANDISE

19--					19--				
Jan	1	Inventory	6948	56	Jan	4		53	74
	5		364	80		6		534	87
	8		7	18		9		5	50
	10		2	25		12		37	50
	13		9	75		14		496	21
	15		12	84		16		13	60
	18		187	92		17		32	45
	20		3	25		21		512	66
						23		3648	50
	31	*Loss and gain*	*1284*	*98*		*31*	*Inventory*	*3486*	*50*
			8821	53				8821	53
Feb	1	Inventory	3486	50					

FORM 61: This merchandise account contains exactly the same entries as Form 60. The only difference is that no explanations are given here, and that the account is closed. How were loss and gain and inventory found? Are the figures correct?

The purchases account. It is rapidly becoming the accepted practice to divide the merchandise account into three parts. The first of these is the purchases account, shown in Form 62 on page 91. On the debit side of this account are entered all purchases of merchandise for trading at cost prices, and on the credit side rebates or allowances we receive and also the cost value of any goods we return.

The sales account. The second part of the merchandise account is called the sales account, shown in Form 63 on page 91. On the credit side of this account are entered all sales of merchandise which came into the business through the purchases account. On the debit side are entered, at selling prices, goods returned to us by purchasers, and also such rebates, allowances, or adjustments as may be required in order to give satisfaction to our customers.

The trading inventory account. The third and last part of the merchandise account is a special inventory account. This is not a general account for all inventories, but only for the one which pertains to goods for trading. This trading inventory account shows a debit entry of the inventory at the close of the preceding fiscal period. At the close of the present period the account will be credited for that sum, ruled, and then debited for the new inventory.

Closing these accounts. At the close of the fiscal period, after we have made the trial balance, the trading statement (which will be discussed presently), the resource and liability statement, and the loss and gain statement, the purchases, sales, and trading inventory accounts are closed into a special account called the trading account, which serves as a channel through which the balances of several accounts finally reach the loss and gain account. The balance of the trading account is carried to the loss and gain account and is exactly the same as that which would be carried from the merchandise account to the loss and gain account if everything passed through the merchandise account instead of the three divisions of it. The three accounts when closed are shown in Forms 65, 66, and 67 on page 92.

Purchase discounts and sales discounts. Two special accounts are sometimes kept, Purchase Discounts and Sales Dis-

PURCHASES

19--					19--				
Jan.	5		364	80	Jan.	9		5	50
	8		7	18		12		37	50
	13		9	75		16		13	60
	18		187	92		17		32	45
	20		3	25		23		3648	50

FORM 62: This is the first of the subdivisions of the merchandise account. In this purchases account all the items are entered at cost prices. This account shows a credit balance. Is this the case usually? What does the $3,648.50 represent?

SALES

19--					19--				
Jan	10		2	25	Jan.	4		53	74
	15		12	84		6		534	87
						14		496	21
						21		512	66

FORM 63: In this sales account all the items are entered at selling prices. The items on the credit side represent goods sold, those on the debit side allowances and returns. No explanations are given in any of these three ledger accounts.

TRADING INVENTORY

19--					19--				
Jan	1		6948	56	Jan	31		6948	56
	31		3486	50					

FORM 64: This trading inventory account is the third subdivision of the merchandise account. With the purchases account and the sales account it contains all the items which are entered in the merchandise account, shown in Forms 60 and 61.

counts; when this is done, these accounts take the place of the merchandise discount account. The subdivision of accounts may be carried still further by opening two special accounts called

PURCHASES

19--					19--				
Jan.	5		364	80	Jan.	9		5	50
	8		7	18		12		37	50
	13		9	75		16		13	60
	18		187	92		17		32	45
	20		3	25		23		3649	50
	31	*Trading account*	*3164*	*65*					
			3737	55				3737	55

FORM 65

SALES

19--					19--				
Jan.	10		2	25	Jan.	4		53	74
	15		12	84		6		534	87
						14		496	21
	31	*Trading account*	*1582*	*39*		21		512	66
			1597	48				1597	48

FORM 66

TRADING INVENTORY

19--					19--				
Jan.	1		6948	56	Jan.	31		6948	56
	31		3486	50					

FORM 67

Rebates, Allowances and Returned Goods; and Freight In. These four accounts are called subsidiary accounts and are closed into the trading account at the close of the fiscal period. Forms 68 to 71 show these accounts as kept in the ledger.

PURCHASE DISCOUNTS

19--					19--				
Jan.	10	Error on bill of Jan. 3	3	65	Jan.	7	On bill of Jan. 3	21	89
	31	*Trading account*	*27*	*64*		20	On bill of Jan. 16	9	40
			31	29				31	29

FORM 68

SALES DISCOUNT

19--					19--				
Jan.	6	On bill of Jan. 4	2	69	*Jan.*	*31*	*Trading account*	*79*	*87*
	9	On bill of Jan. 6	26	74					
	18	On bill of Jan. 14	24	81					
	22	On bill of Jan. 21	25	63					
			79	87				79	87

FORM 69

PURCHASE REBATES, ALLOWANCES, AND RETURNED GOODS

19--					19--				
Apr.	*30*	*Trading account*	*72*	*11*	Apr.	5	Damaged goods	18	50
						12	We return goods	47	85
						18	Shortage	5	76
			72	11				72	11

FORM 70

FREIGHT IN

19--					19--				
Apr.	3	Paid freight	68	80	Apr	7	Freight overcharge	2	76
	16	Paid freight	47	38					
	27	Paid freight	125	15		*30*	*Trading account*	*238*	*57*
			241	33				241	33

FORM 71

FREIGHT OUT

19--					19--				
Apr.	11	Freight on bills	47	18	*Apr.*	*30*	*Loss and gain*	*65*	*33*
	19	Drayage	12	40					
	22	Expressage	5	75					
			65	33				65	33

FORM 72

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Freight Out. Freight Out (Form 72) is a selling expense and is sometimes kept with other similar items in the sales expense account in the ledger. If only one freight account is kept, it is the account with Freight Out. Drayage is simply a further division of Selling Expense.

Purchase Discounts may be closed into the loss and gain account directly, or, if it is regarded as a subsidiary account to the purchases account, into the trading account, as in Form 68.

Sales Discounts, like Purchase Discounts, may also be closed into either the loss and gain account or the trading inventory account. Whichever plan is adopted in one case is, of course, followed in the other also.

This process of subdividing accounts may be carried as far as is desirable. There is, however, a point beyond which it is inefficient and only causes useless work.

BOOKKEEPING PRACTICE

How to enter merchandise transactions

The student should work out the following practice material in three ways:

1. make the entries with explanations in Merchandise and Merchandise Discount Accounts;

2. make the entries without explanations in Purchases; Sales; Merchandise Discount; and Inventory, and close the accounts;

3. make the entries in Purchases; Sales; Purchase Discounts; Sales Discounts; Purchase Rebates, Allowances, and Returned Goods; Sales Rebates, Allowances, and Returned Goods; Freight Out; Drayage and Expressage Out; and Inventory. Then close the accounts.

Making the entries should not be a merely mechanical routine. It is for this reason that lists of directions for debiting and crediting each kind of entry are not given. In every case determine a debit by the fact that it increases resources, decreases liabilities, or decreases ownership, and a credit by the fact that it decreases resources, increases liabilities, or increases ownership.

1. Goods on hand Jan. 31, $3,486.50. Feb. 1, bought goods from Lamden & Schoenbeck, $856.74; sold to G. Kadison on ⅔ bill of goods, $78.65. Feb. 2, bought goods from Toca & Vana, $687.13; paid freight on goods sold yesterday to G. Kadison, $1.63. Feb. 3, allowed rebate on bill to G. Kadison for imperfect packing, $2.65. Feb. 4, paid freight on goods purchased from Lamden & Schoenbeck, $17.27; cash sales for the week, $284.56. Feb. 6, paid drayage on goods purchased from

Lamden & Schoenbeck, $5.25. Feb. 7, paid for goods bought from Lamden & Schoenbeck, less 3½% discount. Feb. 8, received credit memorandum from Toca & Vana for a shortage of $12.63 on the bill of goods purchased from them on Feb. 2. Feb. 9, sold to J. Gilmore on % goods, $134.22; paid drayage to the boat on this sale, $4.50; cash sales for the week, $329.82. Feb. 13, J. Gilmore returned to us goods damaged in transit, $16.82. Feb. 14, received check from J. Gilmore for the balance of the bill sold him, less 2% discount for cash. Feb. 15, took goods from stock at cost for private use, $41.80. Feb. 16, sold on % to E. M. Foley goods, $94.69. Feb. 17, donated goods to the Red Cross Society at cost, $19.23. Feb. 18, cash sales for the week, $346.12. Feb. 20, paid Toca & Vana's bill of Feb. 2, less 2%. Feb. 21, allowed a claim of $7.16 on E. M. Foley's bill of Feb. 16 for goods omitted in packing; he paid the balance by check, less 2%. Feb. 22, paid drayage bills on outgoing goods, $14.35. Feb. 23, bought goods from G. Moss & Co., $148.82. Feb. 24, returned unsalable goods to G. Moss & Co., $21.60. Feb. 25, cash sales for the week, $392.42; paid freight, $9.18, and drayage, $4.50, on goods bought from Moss & Co.; paid balance due Moss & Co. by check, less 2%. Feb. 27, received a shipment of goods purchased in Paris; paid duty, $42.28. Value of goods on hand Feb. 28, $4,182.10.

2. Goods on hand Feb. 28, $4,182.10. March 1, sold goods to H. Kessler on %, $163.82; paid freight on these goods, $7.49; March 2, paid storage on goods in warehouse, $25. March 3, bought goods from Lamden & Schoenbeck on %, $382.17. March 4, paid c. o. d., $17.80, and expressage, $2.15, on special order of goods from G. Kadison; cash sales for the week, $412.62. March 6, received rebate on freight on goods sold to H. Kessler March 1, $1.24. March 7, shipped special order of $24.25 by express to H. Kessler, paying expressage, $1.88. March 8, credited H. Kessler for $4.52 overcharged on bill of March 1. March 9, received a check for the bill sold to H. Kessler March 1, less 3%. March 11, returned to Lamden & Schoenbeck goods damaged in transit, $19.65; cash sales for the week, $408.19. March 13, received credit memorandum from G. Kadison for expressage paid on goods received March 4. March 14, sent check to Lamden & Schoenbeck for bill of March 3, less 2%. March 15, bought goods from Toca & Vana, $684.76. March 16, paid warehousemen's wages for the month, $120. March 17, received notice from Lamden & Schoenbeck that our check was too late to come within the time of discount; sent them a check for the balance. March 18, notified Toca & Vana of damages to goods received March 15, $67.80; cash sales for the week, $437.60; paid purchasing agent's salary for the month, $150. March 20, received credit memorandum for damages from Toca & Vana. March 21, bought warehouse supplies, $87.25. March 22, sent our check to Toca & Vana to pay bill of March 15, less 2%. March 23, sewer burst in the cellar, damaging goods stored there to the amount of $77.83 of the cost prices.

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March 24, bought goods from G. Moss & Co., $964.82. March 25, notified G. Moss & Co. of an error in their bill undercharging us, $3.84; cash sales for the week, $456.82. March 27, paid G. Moss & Co.'s bill by check, less 3%. March 28, sold Levenson & Ross on %, $108.22; paid drayage on the sale, $4.80. March 29, sold the Gold & Goldman Co. goods, $96.44. March 30, received a check from Levenson & Ross for the bill sold them March 28, less 2%. Value of goods on hand March 31, $4,869.98.

Other accounts which will be used in the books of the Busy Retail Store are Office Furniture and Equipment, and Store Supplies and Fixtures.

Office furniture and equipment. In the office furniture and equipment account are entered those articles purchased for use in the work of the office as distinguished from those articles which are used in other departments of the business. This includes chairs, desks, filing cabinets, safes, partitions, typewriters, billing, listing, and calculating machines; but it does not include stationery, bookkeeping supplies, pencils, ink, and so forth.

Store supplies and fixtures. Counters, showcases, shelves, bins, display tables, cabinets, stools and chairs for customers and salesmen, cash carriers, hanging-racks for goods, window-dummies, and so forth, constitute the store's fixtures. Some of these become the property of the owner of the building in which they are placed; the student should look up in his text on commercial law, or in a copy procured at the library, the conditions which determine when these supplies and fixtures become the landlord's property.

How to handle depreciation. Articles used in the office and in the store necessarily depreciate in value. One method of showing this depreciation is to deduct a certain percentage from the cost at each succeeding inventory when the account is closed into the loss and gain account at the close of the successive fiscal periods. A better plan is to open an account entitled Reserve for Depreciation of Office Furniture and Equipment and a similar account for store supplies and fixtures. The method of procedure to be followed in those accounts will be explained in more detail later on in the text.

ACTUAL BOOKKEEPING

The Busy Retail Store

The books to be used are the purchase book, sales book, cash book, check book, bank book, journal, bill book, and ledger.

In entering purchase discounts and sales discounts in the cash book, two methods are in use. One method has been in use longer than the other, and will be followed for the present, leaving the other to be explained later. In this method, the full amount of payments made by us for purchases are entered on the credit side of the cash book and the discount is entered on the debit side, thus leaving the difference actually paid. When payment for a sale is received, the customer is credited for the full amount on the debit side of the cash book and the discount is entered on the credit side, thus again leaving as the difference what was actually received. The cash book will contain a special column on the debit side for Purchase Discounts, and special columns on the credit side for Expense, Sales Discounts, and Freight and Drayage.

Mr. A. T. Bardeen decides to engage in a general hardware, stove, and implement business. Preparatory to securing his stock he deposits in the National Bank of Commerce, $23,215 in cash, puts $25 in the safe, and rents a storeroom at 1020 Main Street at $100 a month, taking a lease on the room for five years, from the owner, H. Kessler. The student should prepare the lease. Mr. Bardeen places counters, showcases, shelves, bins, and so forth, in the store to the amount of $560, and office equipment to the extent of $480.

The student in taking charge of the office work finds the following bills: March 1, The Franklin Lamp Co., terms cash, lamps and lanterns, $500; March 1, The Binghamton Co., 2/10, N/30, cutlery, $765.31, novelties, $612.24; March 1, The Binghamton Co., 2/10, N/30, kitchen-ware, $408.16; Feb. 27, The Composite Roofing Co., 60-day note for $600 and cash for balance, roofing and spouting, $1,600; March 1, The Sherwin-Williams Paint Co., 4-month note for $350 and cash for balance, paints, varnishes and brushes, $1,350; March 1, The Acme Fence & Wire Co., 3½/5, N/20, fencing, $829.02; March 1, The Keen Kutter Tool Co., 3/10, N/60, tools, $1,746.39; March 1, H. Disston & Sons Co., N/30, tools, $300; March 1, The Vulcan Manufacturing Co., 6-month note for $750, balance 2/10, N/30, stoves and furnaces, $2,280.61; March 1, The Lamson & Lockhart Co., 2/10, N/30, nails, screws, bolts, and so forth, $867.35, builders' hardware, $918.36; March 1, The Carmack Implement Co., 3/10, N/45, farm implements and machinery, $2,561.86; March 1, The Vitrolite Plumbing Supply Co., 2/10, N/30, plumbing supplies, $1,020.41; March 1, The Buckeye Vehicle & Supply Co., N/15, buggies and wagons, $1,650, poultry equipment, $575; March 1, The Dilworth Engine Co., 2/10, N/30, engines, $1,270.41. Payment for these goods has been made in all cases as indicated in the terms mentioned, except as follows: Balances

are due The Keen Kutter Tool Co., $200; H. Disston & Sons Co., $150; The Dilworth Engine Co., $250; The Carmack Implement Co., $500.

After making the above entries in the proper books, the student should take a trial balance. He will find that there remains cash in the bank, $6,000. There is $25 in the safe, and Mr. Bardeen's ownership account shows that he has in the business, $23,240.

The payroll each week of the store and office is as follows:

Office,

Bookkeeper (student's name)	$18.00
Stenographer, Mildred Strong	15.00

Store,

William Brennan, salesman	$20.00
Allen McCleave, salesman	20.00
Charles Schooley, salesman	18.00
James Baynes, salesman	18.00
Arthur Hall, errand boy	7.00
John Simpson, janitor	12.50

Warehouse,

William Harris, warehouseman	$15.00

STANDARD QUESTIONS

Merchandise

1. What is merchandise?
2. What items do you enter in the merchandise account?
3. What account is usually kept as an auxiliary to the merchandise account?
4. What items would you enter in this auxiliary account?
5. What are the objections, if any, to the use of the merchandise account?
6. What plan can you use to overcome these objections?
7. Explain the use of the purchases account.
8. What items would you enter on the debit side of the sales account? The credit side?
9. When and how are entries made in the inventory account?
10. When and how are the purchases, sales, and inventory accounts closed?
11. What is an inventory? How is an inventory taken and when? What would you do to avoid the process of taking an inventory? What is this method called?
12. What subdivision of purchases and sales accounts would you make? Why?
13. How many freight accounts may you keep? What are they called?

14. If only one freight account is kept, which is it?

15. Into which accounts may the merchandise discount account be divided?

16. How may these accounts be closed? In closing the merchandise account what rule must be observed?

17. State again the general law of debit and credit.

18. What is the purpose of the office furniture and equipment account?

19. What items would you enter in the store supplies and fixtures account?

20. How may the depreciation of office furniture and store supplies be recorded?

PART TWO

ALL goods sold are billed out on our regular terms, 2% discount if paid within 10 days, or the full amount of the bill in 30 days. Wherever correspondence is indicated in the transaction, the student should write the letter required. All our banking is done through the National Bank of Commerce.

ACTUAL BOOKKEEPING

Transactions of the Busy Retail Store from March 1 to March 18

Enter these transactions in the proper books, making out also all forms called for by each transaction.

March 1. Paid one month's rent by check. Sold to H. C. Bingley on % 25 gal. house paint @ $2.10, 10 gal. barn paint @ $1.25, and 2 gal. floor varnish @ $2.50. Sold to J. C. Cathcart on % 2 cylinder front door locks @ $6.50, 2 doz. reversible knob locks @ $3 per doz., 12 pairs glass knobs @ $1, 12 pairs white porcelain knobs @ 10c, 2 doz. window fasteners @ $3 per doz., 3 pairs bronze door butts @ 50c, 2 doz. pairs steel butts @ $3 per doz. pairs, 2 doz. bar sash lifts @ $2 per doz., 24 sets spring sash balances @ $1.25, 2 sets double door hangers @ $3.50.

March 2. Sold to O. M. Jarvis for his note at 15 days, 5 5-gal. cans of house paint @ $7 a can, 2 gal. trimming paint @ $1.75, 2 gal. varnish @ $2, 2 wall brushes @ $1.25, 1 kalsomine brush, $1, 2 varnish brushes @ 25c, 2 round dusters @ 75c, 10 lbs. glue @ 20c.

March 3. Sold to E. F. Moore on % 1 incubator, $40, 2 brooders @ $15, 2 poultry fountains @ $1.25, 1 feeding trough, $1.50, 1 chicken shipping coop, $1.

March 4. Sold to W. J. North, ½ for 15-day note and the balance for 30-day note, 1 surrey, $125, 1 farm wagon, $60, 1 set double harness,

$50, 1 set buggy harness, $35. Paid office, store and warehouse help for the four days, 2/3 of a week. (The warehouseman's salary is charged to Warehouse Expense, the others to Expense). Paid insurance on stock in store and warehouse by check to the International Insurance Company, $36. Deposit for the day, $1,250. Cash sales for the week are shown in Form 73. They are entered in the cash book, not in the sales book.

March 6. Sold to E. G. Jowett on % 2 log chains @ $1.25, 1 crosscut saw, $2.75, 3 broad axes @ $2, 6 axes @ 85c. Bought from the Acme Fence and Wire Co. on % bill of posts and fencing, $340, 10%, 5%, and 5% off.

March 7. Sold to T. P. McRae on % 1 blower and forge, $30, 1 vise, $4, 1 anvil, $12.75, 1 screw plate, $10, 1 hand hammer, 50c, 1 pein hammer, 75c, 1 farrier's hammer, 60c, 1 post drill, $8, 1 set drill bits, $2, 1 sledge, $1, 1 sledge, $1.50, 1 pair horseshoeing tongs, 35c, 1 hoof

CASH SALES FOR THE WEEK ENDING MARCH 4

			Wed	Thurs.	Fri.	Sat.	Totals
Lamps and lanterns			1.00	2.50	4.25	4.75	12.50
Kitchen ware				3.75	5.63	8 72	18.10
Cutlery			6.00	18.00	11.40	21.45	56.85
Novelties			.67	1.25	3.10	5.10	10.12
Roofing and spouting			10.00	39.00	19.50	42.25	110.75
Paints, varnishes, and so forth			51.50	50.50	67.10	73.01	242.11
Fencing			8.10	31.40	15.70	26.22	81.42
Tools			5.00	10.05	3.05	8 09	26.19
Stoves and furnaces						10 00	10.00
Nails, screws, bolts, and so forth			3.50	4.50	1 16	3.26	12.42
Farm implements			29.00	35.00	44.15	77.75	185.90
Plumbing supplies				16.25		22.25	38.50
Buggies and wagons			14.00		25 06	23.12	62.18
Builders' hardware			42.15	31 17	42.12	63.81	179.25
Engines				110.00			110.00
Poultry equipment			18.50	42.50	12 12	43.13	116.25
FORM 73 Totals			189.42	395.87	254.34	432 91	1272 54

trimmer, $1.25, 1 pair bolt clippers, $4, 1 farrier's knife, 35c, 2 horse rasps @ 30c, 2 horse rasps @ 50c, 1 hardy, 25c, 1 pair bolt tongs, 40c, 1 pair gad tongs, 40c, 4 cold chisels, 50c, 1 cold cutter, 45c, 1 tire shrinker, $12, 1 pair straight-lipped tongs, 35c, 1 square flatter, 50c, 1 hot cutter, 50c, 1 measuring wheel, $1.50. Received from H. C. Bingley a check in full for bill of March 1 less 2%. Deposited in the bank, $68 60.

March 8. Discount our 60-day note at the bank for such an amount that the proceeds will pay the bill of the Acme Fence & Wire Co. of March 6. Sent our check to pay the bill. Sold to Allen & Jones on % 1 thresher cover, $8.50, 1 thresher belt 120 ft. long @ 25c per ft., 1 wagon tank and pump, $33.50.

March 9. J. C. Cathcart returns ½ doz. reversible knob locks sold to him March 1. Paid by check to the New York Central Lines freight on the bill of fencing purchased on March 6, $3.87. Sold to O. G. Brown on % 1 bathtub, $30, 1 semicircular lavatory, $12, 1 corner lavatory, $15, 1 kitchen sink and drain board, $40, 1 2-compartment composition laundry tub, $16.50, 1 double bath cock, $3.50, 4 nickel-plated bibbs @ $1.25, 1 hose bibb, $1.20, 4 brass bibbs for the laundry @ 85c, 1 closet and tank, $25, 100 ft. of ½-inch galvanized pipe @ 8c per ft., 100 ft. ¾-in. galvanized pipe @ 10c per ft. Donated to the Children's Training Home ½ doz. kitchen paring knives, 17½c, 3 double-bladed mincing knives @ 6½c, 1 doz. pudding pans, 88c, 2 doz. kitchen spoons @ 87½c per doz., 3 steel spiders @ 25c, 1 doz. gray enameled bread pans, $1.72 (cost prices).

March 10. Received notice from E. F. Moore that one poultry fountain was omitted from the goods sold to him March 3. We send one to complete the invoice, writing a letter of apology for the oversight. By a letter to the Carmack Implement Company, we notify them of a shortage of one corn sheller charged to us at $8.35. Received a rebate from the New York Central Lines of $1 overcharged us on the freight bill paid March 9. Sold to D. M. Swift on % 1 cream separator, $60, 1 5-horse-power kerosene engine, $135, 1 20-gal. churn, $8.50, 1 belt, $2. Received a check from J. C. Cathcart for $84.97 in payment of his bill of March 1. Is this correct? If so, enter it; if not, notify him by letter and take the proper steps to correct the error. Deposited in the bank, $84.97.

March 11. Allen & Jones report that the tank which was sold to them on March 8 was found to be defective and they have had a leak in it repaired at a cost of $1.75; we notify them by letter that we are allowing them that amount on their account. Mr. Bardeen took from stock (at cost prices) the following goods: 1 brace-and-bit outfit, $4, 1 chest of tools, $19.75. Sold to P. W. Crane on % 1 kitchen range, $48.50, 3½ joints of stove pipe @ 30c, 1 elbow, 35c, 1 pipe collar, 10c, 1 silver-plated dinner cutlery set, $14.50, 1 kitchen cutlery set, $1. Received from E. F. Moore a sight draft on W. J. North for the amount of the bill sold to Mr. Moore March 3, less 2%. Paid drayage out bills to date by check to the City Cartage & Storage Co., $18.75. We return to the Dilworth Engine Co. a 1½-horse-power gasoline engine, informing them by letter that it has failed to give satisfaction. It was billed to us at $33.50. Paid office, store and warehouse employees for the week. Mr. Bardeen withdrew $50 for private use. Deposited in

the bank (including the sight draft), $1,973.24. Cash sales for the week are shown in Form 74.

March 13. Bought from the Carmack Implement Co. on % invoice of farm implements listed at $480, 10%, 5%, and 2½% off, 2/10, N/60. Bought from the Sherwin-Williams Co. on % invoice of paints and varnishes listed at $110.50, 5% and 5% off, 2/10, N/30. Sold to A. K. Schultz on % 1 12-horse-power gasoline engine, $250,

CASH SALES FOR THE WEEK ENDING MARCH 11

	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Total
Lamps and lanterns	.75	2.00	1.80	.67	3.82	5.75	
Kitchen ware	2.81	5.12	4.78	3.96	6.27	12.80	
Cutlery	3.12	1.75	8.42	6.18	3.26	16.20	
Novelties	2.10	3.21	2.48	5.19	4.70	10.16	
Roofing and spouting	18.12	12.60	19.23	12.80	18.60	27.44	
Paints, varnishes, and so forth	3.42	26.75	14.18	13.21	64.12	56.32	
Fencing	9.10	2.50		3.12		26.40	
Tools	1.23	12.60	3.25		8.40	12.60	
Stoves and furnaces	1.80	42.10		.67	3.26	96.42	
Nails, screws, bolts, and so forth	8.12	10.11	16.40	5.62	8.47	19.76	
Farm implements	24.95	37.12	65.40	117.20	87.60	248.10	
Plumbing supplies	4.10	5.00	7.62	12.80	1.67	48.19	
Buggies and wagons		32.00		55.00		67.50	
Builders' hardware	9.10	8.75	13.21	11.62	2.40	9.76	
Engines			96.50	2.40		115.25	
Poultry equipment	11.24	16.12	19.87	24.06	12.10	37.09	
Totals							

FORM 74

25 ft. canvas belting @ 40c a ft., a 12-ft. shaft 1½ inches in diameter @ 37½c a ft., 3 ball-and-socket hangers @ $2, 2 pulleys @ $3.25.

March 14. Received from T. P. McRae his check on the People's Bank for one-half the bill sold him on March 7, less 2%, and his draft on Allen & Jones at 10 days sight for the other half in full. Discounted O. M. Jarvis' note of March 2 at the bank for the remainder of its time. Paid the Pocahontas Coal Co. by check for coal, $42.50. Paid the City Illuminating Co.'s bill for electric light to the 10th of the month, $2.95 by check. Sold to T. P. Reilley on % 1 tool bag, $2.75, 1 plastering trowel, $1, 1 plasterer's hawk, $2.50, 2 triangular trowels @ $1, 1 pointing tool, 50c, 1 spalling hammer, $1.10, 6 star hand drills @ 37½c, 2 striking sledges @ 65c, 1 doz. sledge handles, $1.75. Deposit (check and note), $96.76.

March 15. Paid the Security Storage Co. by check for storage for ½ month on goods for which we do not have enough room in the store, $60. Sold to H. C. Bingley on % 1 hanging lamp, $7.50, 2 table lamps @ 75c, 1 lantern, $1, 1 Berlin kettle, 65c, 2 preserving kettles @ 75c, 1 set each of silver table knives, forks, and teaspoons, $9.75.

March 16. By a fire in the storage warehouse goods were damaged to the amount of $140 (cost prices), the loss being on farm implements. We have received the insurance company's check for the amount of the damage. This check constitutes the deposit for today.

CASH SALES FOR THE WEEK ENDING MARCH 18

	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Totals
Lamps and lanterns	1.00	1.76	1.45	.86	2.12	4.95	
Kitchen ware	1.48	6.10	3.56	2.75	5.12	13.20	
Cutlery	2.74	2.93	4.76	8 32	5.96	18.10	
Novelties	1.05	1.60	.74	1.69	2.87	4.10	
Roofing and spouting	22.21	13.82	26.11	25.10	15.16	34.12	
Paints, varnishes, and so forth	11.19	24.12	19.10	25.08	51.91	72.12	
Fencing			12.15		15.65		
Tools	54.11	10.62	5.25	51.10	7.24	15.50	
Stoves and furnaces			36.40				
Nails, screws, bolts, and so forth	10.10	14.83	21.19	7.63	12.44	26.81	
Farm implements	30.00	34.50	76.81	62.50	52.10	276.11	
Plumbing supplies		8.11	5.37		16.71	42.10	
Buggies and wagons			68.12		96.80		
Builders' hardware	7.63	12.15	10.47	14 73	3.65	4.86	
Engines	98.00		67.50			49.75	
Poultry equipment	16.10	20.20	18.62	19.10	20.18	31.19	
FORM 75 Totals							

March 17. Received from E. G. Jowett a check for $15.43 in payment for goods sold him March 6. We notify him by letter that the check arrived too late to come within the terms of discount and ask him to forward the balance. Sold to O. M. Jarvis on % a duplicate of his order of March 2.

March 18. Paid by check office, store and warehouse employees for the week. Mr. Bardeen withdrew $50 for personal use. Received a check from Allen & Jones for the bill sold them March 8. Allen & Jones accept T. P. McRae's draft on them at 10 days' sight, which came to us March 14. Received a check from W. J. North to pay his note of March 4. Deposit for today $2,122.07. Cash sales for the week are shown in Form 75.

A change in ownership. Mr. Bardeen has arranged to admit Mr. J. H. Everett as an equal partner in the business. In order to ascertain how much Mr. Everett must invest to become an equal partner the present worth of the business must be determined, and in order to find the present worth the first step is to take an inventory.

The rates of gain on the different kinds of goods sold are:

Lamps and lanterns	45%	Stoves and furnaces	50%
Kitchenware	35%	Nails, screws, bolts, etc.	30%
Cutlery	50%	Farm implements	40%
Novelties	35%	Plumbing supplies	55%
Roofing and spouting	35%	Buggies and wagons	40%
Paints, varnishes, etc.	30%	Builders' hardware	35%
Fencing	45%	Engines	40%
Tools	35%	Poultry equipment	35%

How to find present inventory. First the total sales of each kind of goods is found. Then the gain is calculated and deducted from the total sales. The remainder is the cost price of the goods sold. Then the cost of the goods sold plus the cost of goods disposed of in any other manner is deducted from the total cost of that kind of goods when purchased, and the remainder will represent the cost of goods remaining on hand, or the present inventory. The following, for example, shows the way to find the present inventory of builders' hardware:

Gross sales	$374.28
Returned sales	1.50
Net sales	$372.78
Profit 35%	130.47
Cost of sales	$242.31
Cost of purchases	$918.36
Cost of sales	242.31
Cost of goods on hand, or inventory	$676.05

After making a trial balance and closing the books through a journal entry, the student should prepare a trading statement, a loss and gain statement, and a resource and liability statement.

What the trading statement shows. Form 76 on page 105 shows the arrangement of the trading statement. The purpose of this statement is to show the income and outlay on goods bought and sold.

INCOME					
Gross sales		????	??		
Deductions					
Allowances and rebates we have made	?.??				
Goods returned to us	?.??				
Freight and drayage out	??.??	??	==		
Sales discounts		?	==		
Net sales				????	??
OUTLAY					
Gross purchases		???	??		
Deductions					
Donations	?.??				
Taken for private use	??.??				
Destroyed by fire	???.==				
Goods returned by us	??.??				
Freight in rebate	?.==				
Purchase discounts	???.??	???	??		
		???	??		
Additions					
Freight in	?.??				
Storage	??.==				
Warehouse expense	??.==	???	??		
Net purchases		???	??		
Add the preceding inventory		?????	??		
		?????	??		
Subtract the present inventory		?????	??		
Net cost of goods sold				????	??
Gross trading profit				????	??

FORM 76: This is the form of trading statement to be used in letting Mr. Bardeen know what profit he has made on goods bought and sold. The trading statement is described in detail on page 107. Which are the larger, gross sales or net sales?

GAINS					
Gross trading profit				????	??
LOSSES					
Expense		???	??		
Insurance		??	==		
Interest and discount		?	??		
Loss and gain account		?	??	???	??
Net gain				????	??

FORM 77: And this is the form of loss and gain statement to be used. To find the net gain, the losses, in this case, Expense, Insurance, Interest and Discount, and the balance of Loss and Gain are subtracted from the gross trading profit.

RESOURCES					
Cash		?????	??		
Office furniture and equipment (inventory)		???	==		
Store supplies and fixtures (inventory)		???	==		
Bills receivable		???	??		
Personal accounts receivable					
H. C. Bingley	??.??				
E. G. Jowett	.??				
O. G. Brown	???.??				
D. M. Swift	???.??				
P. W. Crane	??.??				
A. K. Schultz	???.==				
T. P. Reilley	??.??				
O. M. Jarvis	??.==	???	??		
Trading inventory		?????	??		
LIABILITIES					
Personal accounts payable					
The Keen Kutter Tool Co.	???.==				
H. Disston and Sons Co.	???.==				
The Dilworth-Engine Co.	???.??				
The Carmack Implement Co.	???.??				
The Sherwin-Williams Paint Co.	??.??	????	??		
Bills payable		????	??		
TOTAL RESOURCES				?????	??
TOTAL LIABILITIES				????	??
A. T. Bardeen's present ownership				?????	??

FORM 78: Here is the resource and liability statement described on page 107. When total liabilities, which appear in the credit column of the trial balance, are subtracted from total resources, the remainder equals Mr. Bardeen's ownership.

Total resources (R. and L statement)	?????	??		
Total liabilities (R. and L. statement)			????	??
Net gain (L and G. statement)			????	??
A. T. Bardeen's net credit			?????	??
	28850	12	28850	12

FORM 79: To prove the accuracy of the trading statement, the loss and gain statement, and the resource and liability statement, this form may be used. Total liabilities plus net gain plus Mr. Bardeen's net credit should equal total resources.

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To facilitate procedure it is necessary to define some of the terms used in the trading statement.

The term, gross sales, includes the total amount entered on the credit side of the sales account.

After deducting sales discounts, amounts we have allowed customers for goods they have returned to us, reductions we have made in the way of rebates, the remainder is net sales.

The sum of the debit side of the purchases account constitutes the gross purchases.

How to find net purchases. After deducting from the gross purchases the value of goods we have returned to those from whom we purchased them, purchase discounts, and any deductions which have been made on goods sold to us in the way of rebates or allowances of any other kind, and adding any expenses we may have incurred on goods purchased before they were ready to be sold, such as freight and drayage in, warehouse expenses, and so forth, the result is net purchases.

If to the net purchases is added the inventory at the beginning of the fiscal period under consideration, and from this sum is deducted the inventory at the close of that period, the result will be the total cost of the goods sold. Net sales minus the total cost of the goods sold equals the gross trading profit.

The loss and gain statement. If now we add to the gross trading profit any other profits the business may have produced, and deduct from it any losses incurred through other accounts, we shall obtain the net gain or net loss. An easy way to show this is the loss and gain statement as illustrated in Form 77 on page 105.

The resource and liability statement. The third statement we are to prepare is the resource and liability statement. This consists merely of a list of the resources (or assets) and the liabilities. The difference between the resources and liabilities is, of course, the present worth or ownership.

The resource and liability statement is shown in Form 78 on page 106. Under Resources are listed the property, such as cash, property (inventories), notes and acceptances due us, and accounts due us. Under Liabilities are listed what we owe others. The difference is Mr. Bardeen's present ownership.

The way in which these statements may be checked is shown in Form 79 on page 106.

STANDARD QUESTIONS

Transactions from March 1 to March 18

1. Why are the goods donated on March 9 entered at cost prices?
2. Why are the goods taken by Mr. Bardeen March 11 entered at cost?
3. How is the inventory of stoves and furnaces found?
4. How can you find gross sales? How are net sales found?
5. What are gross purchases? How can you find net purchases?
6. How would you go about finding the gross trading profit?
7. What is the purpose of the trading statement? What is the arrangement of items on the trading statement?
8. Why is it necessary to make a loss and gain statement? What information does it contain?
9. What information is shown on the resource and liability statement?
10. What is the test of accuracy in these statements?

PART THREE

PARTNERSHIPS may be formed in a variety of ways. A partner may be admitted by paying the owner of the business a certain sum for the privilege of coming in and by investing in the business enough money to entitle him to a share in the ownership, usually an equal share with the other partner.

In forming a partnership, however, it may be found that each of the proposed partners has some advantage over the other partner. One may have skill and experience and the other more money or property.

The partnership agreement. In any case the relationship and duties of the partners should be clearly defined and understood at the time the partnership is formed. This can be done most satisfactorily in a written agreement called the "Articles of Partnership." The student should refer to his commercial law for more complete information on this subject and then write the "Articles of Partnership" for Mr. Bardeen and Mr. Everett, with the following stipulations:

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1. the firm's total investment is to be $40,000;
2. the partners are to have equal ownership;
3. they are to share equally in gains and losses;
4. Mr. Bardeen is to take care of the buying, handle the cash, and sign the firm's name to all papers and documents;
5. Mr. Everett is have charge of selling the goods, the employment of help, and the advertising;
6. each partner is to give all his time to the business;
7. each partner is to receive a salary of $200 a month, and interest on the investment for the time his money is actually in the business.

In carrying out the agreement outlined, Mr. Everett, who has been conducting a flour, feed and grain business, brings to the new partnership the following property:

1,280 bushels of wheat @ $1.25
3,240 bushels of corn @ 80c
524 barrels of flour @ $10.50
65 hundredweight of potatoes @ $1.60
475 bushels of rye @ 90c
350 bushels of oats @ 75c
12 tons of chopped feed @ $35
26 tons of baled hay @ $18.50
5 tons of chicken feed @ $40

He indorses to the firm the following bills receivable:

Note of J. H. DeMore, dated Jan. 25, at 60 days, in favor of Mr. Everett, $436.50;

Note of Mather and Bradford, dated Nov. 27, at 4 months, in favor of W. B. Dankmeyer, indorsed in full to Mr. Everett, $274.85;

Draft at 15 days sight, on J. W. Freeman, dated Feb. 26, drawn by the Coleman Furnace Co., in favor of M. T. Hughes and accepted March 5, for $118.12, indorsed to Mr. Everett without recourse March 8;

Draft at 60 days after date, drawn by G. W. Spellman on W. B. Hubbard Jan. 5, in favor of L. T. Kirkpatrick, accepted Jan. 30, indorsed in full to F. C. Donberg on Feb. 8, for $77.20. This came to Mr. Everett by an indorsement in blank on Feb. 15.

Note of E. M. Austin for $246.40, made Dec. 26 at 90 days, in favor of L. T. Wellstead, indorsed with guaranty by N. M. Coe with interest, on which there has been one partial payment of $50 on Jan. 25. This note was indorsed in full to Mr. Everett on Jan. 18, and is now turned in at its present worth with accrued interest.

In addition to these items of property, Mr. Everett pays $2,000.10 in cash into the firm's treasury and pays Mr. Bardeen $5304.82 in cash to equalize the net capital of the two partners.

The student should make the journal entry to close Mr. Bardeen's ledger March 20, then open the books by such journal, cash book, and bill book entries as will admit Mr. Everett to an equal partnership. The grain and feed brought in as listed above will now become a new department in the business, called the flour and feed department. In this department some of the goods will be sold on commission. This method of selling is described in the next paragraph.

Selling goods on commission. Goods are sometimes sent by the owner to a dealer who is expected to sell them at the best price he can secure and to return to the owner the money received for the goods, less a small percentage of the selling price which he

INVOICE OF SHIPMENT

March 22,19--

Invoice of Potatoes

Consigned to Banks & West Address 163 Broadway Chicago, Ill.

Shipped via The C. M. & ST. P. To be sold for the account

and risk of Hill & Davis Co.

100 cwt. Rural New Yorker potatoes

FORM 80

retains as his fee for handling both goods and money. Such a dealer is called a commission merchant and his fee is called his commission. The one who ships goods for sale in this way is the shipper or consignor, and the one who receives them is known as the consignee.

Goods sent to a commission merchant are the property of the shipper until they are sold. Accompanying them is an invoice of shipment, like that shown just above in Form 80, which is merely a memorandum of the items, and does not usually give prices at all, since the marketing is left entirely in the hands and to the judgment of the consignee. If any of the goods are lost or damaged, either in transit or in the warehouse of the consignee, the loss falls on the shipper, who remains the owner

until the sale has been made. As soon as the sale is complete, however, the commission merchant becomes liable to the shipper for the full amount of the money, less his commission. If the goods are sold on account or for a note, the commission merchant assumes all liability of loss and makes his reports to the shipper on a cash basis.

How the shipper enters the goods. The shipper enters the goods shipped to a particular merchant as Shipment No. 1 to Harvey Nelson, and if other goods are sent later, they become Shipment No. 2 to Harvey Nelson, and so on. The goods of each shipment thus form a distinct account which is debited for the cost of the goods when they are shipped, for any items of expense they require in shipping, any advances made on account of the goods in that shipment, and is credited for whatever returns are sent back by the merchant who sold them.

The account sales. As soon as the goods are sold, the commission merchant makes a report to the shipper of the results of the sale, showing all expenses incurred in handling the goods, his commission for selling them, and the balance due the shipper as the net result. This report is called the account sales and may be in the form of a letter, as Form 81 on page 113, or on a printed form like that shown in Form 82.

If an open ledger account is kept between the shipper and the consignee, the account sales may state that the proceeds of the sales have been credited to the shipper on the merchant's books, but if no such account is kept, a check or bank draft to cover the proceeds should accompany the account sales.

Closing the shipment account. The shipper closes the shipment account into the loss and gain account after receiving the account sales. If he has occasion to make fiscal statements before he has received reports on some of the shipments, the shipments, would, of course, show as resources.

The commission merchant who receives the goods for sale keeps track of those from the individual shippers, calling each one a consignment, and numbering them as the shipper does the shipments, thus: Consignment No. 1 from J. H. Edwards, and so on. A separate account is kept for each, and when the goods are sold the account sales is rendered as indicated above. A

consignment account is debited for any outlay to which the merchant is put in housing, handling, preserving, or marketing the goods, and for any allowed claims or advances made on them. When the account sales is rendered, it is also debited for the merchant's charges for his services. It is credited for sales of goods from it and for any other returns it may produce.

Care must be exercised to distinguish between an account with a person or firm and another account with a consignment from the same person or firm or a shipment to that person or firm, all of which may be on the books at the same time.

Closing the consignment account. The consignment account is closed after the account sales has been rendered. The entry into the account of all charges, all returns, the commission merchant's fees, and the proceeds which are to be sent to the shipper makes the account balance so that all it needs thereafter is ruling and footing.

As stated above, the merchant who sells the goods takes out of the money received for the sales a percentage of the selling price as his fee for handling and marketing the consignment. This percentage varies with the kind of goods, the season, and the locality. As a rule, perishable goods pay a higher commission than those which are not perishable, and the higher the selling price the lower the rate on the same article. The rate is usually not lower than 5% nor higher than 10% of the gross sales. The commission account is debited for commissions paid to others because it is then decreasing ownership, and it is credited for amounts earned or received because it is then increasing ownership. At the close of the fiscal period the commission account is closed into Loss and Gain.

BOOKKEEPING PRACTICE

Shipments and consignments

M. C. Corfman, a dealer in fruits and vegetables, who is located at 185 Broadway, Cleveland, Ohio, handles some goods on a commission basis. C. F. Britton is a farmer, living at Shelby, Ohio.

On October 1, 19—, Mr. Britton shipped to Mr. Corfman 250 barrels of greening apples and 125 cwt. of potatoes, the barrels in which the apples were shipped costing 50c each and the bags for the potatoes

The Fruit Auction Company
1446 Wabash Ave.
Chicago

Mr. J. C. Ashton,
Bellville, Ill.

April 5, 19--

Dear Sir:

On the 24th of last month we received a consignment of potatoes from you concerning which we report the following sales:

25 cwt.	@	$1.50	$37.50
18 cwt.	@	1.45	26.10
32 "	@	1.37½	44.00
23* "	@	1.47	33.81
		Total Sales	$141.41

Charges on the consignment were

Freight	$17.00
Drayage	7.50
Sorting	2.00
Commission	7.07
Total charges	33.57
Net proceeds	$107.84

The sorting was made necessary by the fact that some of the potatoes had begun to rot. The prices obtained we consider very good under present market conditions. If you can ship us some early vegetables as they come on, we shall do our best for you. You will find our check for the net proceeds of the above inclosed.

Sincerely yours,
The Fruit Auction Company
W. W. Smith Secretary

* P. S. Two cwt. were lost by rotting

FORM 81: Mr. Smith, the secretary of the Fruit Auction Company, the consignee, sends Mr. Ashton, the consignor, this account sales. Total sales minus the expenses of handling the shipment and commission gives the net proceeds.

ACCOUNT SALES

April 5, 19

Mr. J. C. Ashton Address Bellville, Ill.

Below please find account sales of potatoes Received Mar. 24
and sold for the account and risk of J. C. Ashton by

THE FRUIT AUCTION COMPANY

Sales						
25 cwt. Potatoes	$1.50	37	50			
18 " "	1.45	26	10			
32 " "	1.37½	44	00			
23 " "	1.47	33	81	141	41	
2 cwt. lost by rotting.						
Charges						
Freight 17.00	Drayage 7.50	Storage	Insurance	Commission 7.07	Sorting 2.00	33 57
Net proceeds by Check						107 84

FORM 82: This form of account sales is perhaps a little simpler than the letter shown in Form 81. Instead of dictating a personal letter each time, all Mr. Smith has to do is to fill in the standard form. The results are the same in either case.

(holding 100 lbs. each), 7c each. He finds it necessary to hire some help to load these articles on the cars, at an expense of $26.50.

The goods reached Cleveland on October 5. Mr. Corfman's teams and trucks transferred them to the warehouse on Broadway and to a rented room nearby because room was lacking in the warehouse for all of them. He estimated that the drayage amounted to $35. He paid $12 for an advertisement, half of which had to do with these apples and potatoes. He paid $12.50 for rent of the storeroom in which part of them were kept.

The goods were sold as follows: Oct. 7, 10 bbls. of apples @ $2.25, 5 cwt. of potatoes @ $1.25; Oct. 10, 25 bbls. of apples @ $2.20, 15 cwt. of potatoes @ $1.35; Oct. 15, 16 bbls. of apples @ $2.22; Oct. 17, 12 cwt. of potatoes @ $1.37½; Oct. 20, 60 bbls. of apples @ $2.20; Oct. 23, 18 cwt. of potatoes @ $1.40; Oct. 25, 14 bbls. of apples @ $2.25; Oct. 29, 25 bbls. of apples @ $2.30; 25 cwt. of potatoes @ $1.50; Nov. 1, 30 bbls. of apples @ $2.30; Nov. 3, 10 cwt. of potatoes @ $1.50; Nov. 5, 15 cwt. of potatoes @ $1.50; Nov. 6, 20 bbls. of apples @ $2.30; Nov. 8, 25 cwt. of potatoes @ $1.55; Nov. 10, 50 bbls. of apples @ $2.25. Mr. Corfman's rate of commission is 5% on the apples and 7½% on the potatoes.

The student should make Mr. Britton's invoice of shipment and his ledger account with the goods shipped; also Mr. Corfman's account sales and his ledger account with the goods received.

How Expense may be subdivided. In order to be able at any time to ascertain which items of expense are costing most and where economy might be possible, it is usually desirable to divide the expense account into parts, keeping an account with each part. One common method divides the expense account into Sales Expense and General Expense, and where there are factories, a third account, Operating Expense. Each of the accounts may be subdivided as the needs of the business require.

Sales Expense. Sales expense begins when the goods are ready for the buyer and includes every expenditure necessary to carry out the selling process. For the subdivisions of this account, separate accounts may be kept with

1. Salesmen, in which case entries are for salaries paid the salesmen, commissions allowed them, traveling expenses paid for them, prizes awarded them for successful work, and the like;

2. Advertising, whether in the nature of newspaper or magazine publicity, circulars, premiums, calendars or other novelties, electric signs, and so on;

3. Freight Out, which covers also drayage, expressage, and postage on outgoing goods;

4. Delivery, which concerns itself with local selling in the way of repairs, supplies, and upkeep of trucks, wagons, and horses, wages of barn men, mechanics, and rental of buildings used for housing delivery equipment;

5. Samples of goods carried by salesmen to secure trade;

6. Storage room occupied in rented space for goods which are for sale;

7. Sales Incidentals, for any items not covered in the other subdivisions of sales expense, such as bundle wrappers' and cash boys' wages, wrapping paper, twine, traveling expenses of executives, and so forth.

General Expense. General or Administrative Expense pertains to the whole conduct of the business as distinguished from items that are confined to some particular process. This account may be subdivided, if that seems desirable, into the following accounts:

1. Office Help, for the wages paid bookkeepers, stenographers, messengers, filing clerks, operators of office appliances, telephone switchboard, or other workers;

2. Salaries of members of the firm or executives of a corporation;

3. Stationery and Supplies;

4. Sundry Expenses, for all other general items, including postage, telephone rental, legal fees, cable or telegraph messages, rent of the store, and so forth.

Delivery equipment. As indicated above, all charges for repairs, supplies, and the like used in delivery are entered under the delivery account, which is a subdivision of Sales Expense, but the original cost of delivery equipment should be kept in an account with Delivery Equipment. This account closely resembles an inventory account, being debited for the property on hand or purchased at any given time and credited at the cost price for any part of the property sold, lost, or destroyed. The balance of this account will, therefore, always be a debit; that is, a resource, and will represent the property of that kind on hand at its cost value.

BOOKKEEPING PRACTICE

Expense accounts

The student should classify each of the following items and enter it on ledger ruled paper under either Sales Expense or General Expense, as the case may be.

Nov. 1, bought letterheads and envelops, $17.50; Nov. 2, furnished J. C. Allen and H. L. Baer samples in cases for their work with the trade, $64; paid for an advertisement in a magazine, $50; Nov. 3, paid for 100 gallons of gasoline for the delivery truck, $19.50; bought postage stamps, $10; Nov. 4, paid for wrapping paper and twine, $43.27; paid for cable message, $3.60; Nov. 5, paid salesmen's traveling expenses, $23.40; Nov. 6, paid wages of office employees, $116.50; paid postage on parcels sent out, $3.44; Nov. 8, paid traveling expenses of the president of the firm to Pittsburgh and return, $20.50; Nov. 9, paid rent of the store for one month, $125; Nov. 10, paid the Electric Illuminating Company's bill for current for the electric sign on 32nd St., $8.65; paid lawyer for advice, $15; Nov. 12, paid for repairs on wagon, $3.75; Nov. 13, paid salesmen's salaries, $150; paid telephone rent, $6; Nov. 15, paid salaries to the president and secretary of the company, $350; paid rent for a room used for storage purposes, $25; Nov. 16, received $16.50 from The Fruit Auction Co. for hauling goods to their warehouse from the freight depot; Nov. 17, paid for gasoline for the delivery trucks, $39; Nov. 18, paid freight on goods sold, $7.75; Nov. 19, paid for shoeing horses, $6.50; Nov. 20, received a rebate of $1.50 from the railroad company because of a mistake in the amount of the freight charge of Nov. 18.

In such accounts as Office Furniture and Equipment, Store Supplies and Fixtures, Delivery Equipment, Insurance, and, in fact any account showing an outlay, the use of which reaches over an extensive period, it is unfair to charge the whole sum to the losses of one month or one year when the use or benefit of the article covers several months or years. For example, if an insurance policy is taken out for three years and the premium is paid when the policy is issued, to charge the whole cost of the premium to the loss and gain account of that year when the protection extends over three years would misrepresent the losses of the first year.

Depreciation accounts. In order equitably to distribute an expense like this over the time covered by its use, separate accounts called "depreciation accounts" are opened under the proper titles, such as: Reserve for Depreciation of Office Furni-

ture and Equipment, Reserve for Depreciation of Delivery Equipment, and a similar title for each of the other reserves. In the case of insurance the depreciation account is usually called "Insurance Expense Current" instead of a reserve.

How to enter depreciation. All accounts which are accompanied by complementary reserve accounts are treated in the manner described for Delivery Equipment on page 116.

DELIVERY EQUIPMENT

19--					19--				
Jan	1	1 horse "Pat"	200	00	Nov	4	2 delivery wagons	120	00
		1 horse "Bill"	185	00		6	1 horse "Bill"	185	00
		3 delivery wagons	180	00					
Mar	1	1 delivery truck	1525	00					
19--									
Nov	8	1 delivery truck	1260	00					

FORM 83

RESERVE FOR DEPRECIATION OF DELIVERY EQUIPMENT

19--					19--				
Nov	4	2 delivery wagons	40	00	Dec	31	3 delivery wagons	36	00
							1 delivery truck	610	00
					19--				
					Dec	31	1 delivery wagon	12	00
							1 delivery truck	457	50
							1 delivery truck	100	00
							1 horse "Pat"	50	00

FORM 84

At the close of each fiscal period General Expense or Sales Expense, as the case may be, is debited and the reserve account is then credited for such part of the entry in the original account as the length of the fiscal period bears to the whole length of service the item will give. For instance, when an automobile truck is purchased, Delivery Equipment is debited and Cash is credited; it is estimated that the truck will last five years and that its depreciation for the first year is 50%; if it is purchased April 1, and our fiscal period ends on December 31, we debit Sales Expense and credit Reserve for Depreciation of Delivery

Equipment for three-fourths of 50% of the cost of the truck, since one-fourth of the fiscal year has already passed.

These accounts are illustrated in Forms 83 and 84 on page 117. Form 83 illustrates the delivery equipment account and Form 84 illustrates the reserve for depreciation account used in connection with delivery equipment.

The history of these items may make the entries clearer. The two horses and the three delivery wagons were purchased on January 1, 1917. One delivery truck was purchased on March 1 of the same year. It is estimated that a wagon will last five years and depreciates about 20% each year, but that a truck depreciates much more rapidly during the first year; in fact, about 50%.

At the end of 1917 it is estimated that the three wagons have depreciated $36 and the truck $610, or about 40%. On November 4, 1918, two delivery wagons were sold for $80, their cost having been $120; on November 6, one of the horses was sold for just what he cost. Another delivery truck was purchased on November 8.

At the end of 1918 the same rate of depreciation is estimated on the remaining delivery wagon; the first delivery truck is considered as having depreciated 30% and the new one about 10%. The remaining horse, "Pat," was injured in an accident and, as a result, is considered to have depreciated about 25%. Accounts of the kinds represented by these two forms are not closed except at times when they need more room and when it is necessary, for this reason, to carry them to a new place in the general ledger.

BOOKKEEPING PRACTICE

Reserve for depreciation accounts

From the following transactions the student should prepare accounts with Office Furniture and Equipment and Reserve for Depreciation of Office Furniture and Equipment, the estimated rate of depreciation being 12% each year.

Jan. 1, inventory, $450; Feb. 15, bought a desk, $37.50; March 1, had a grill partition placed in the office, $82; sold a bookcase which cost $25 for $15; May 15, bought a sectional filing cabinet, $47.

The accounts should appear as they would stand on Dec. 31.

The student is now sufficiently familiar with the transactions in the cash book to have noticed that in each case of payment in which a cash discount is involved, there is some inconvenience in making a part of the entry on one side of the book and the other part on the opposite side.

Special columns for discounts. It has become an accepted practice to place a column for purchase discounts by the side of the purchases column on the credit side and a column for sales discounts on the debit side next to the sales entries. Of course, this brings both discount columns on the wrong sides, so far as the page headings are concerned, but no serious difficulty presents itself, so this plan will be used during the rest of this chapter. There will be five columns on each side of the cash book; those on the debit side are headed, General, Net Cash Receipts, Sales Discount, Hardware Sales, and Flour and Feed Sales; those on the credit side are headed, General, Net Cash Payments, Purchase Discount, Sales Expense, and General Expense. The entry in the sales discount or purchase discount column is in every case the difference between the two entries for the same transaction in the general column and the net cash column. Cash sales will be entered daily, the sales of hardware being kept separate from those of flour and feed.

The partners desire to know at the end of each fiscal period which kind of merchandise is producing the better results. To do this we shall have to keep the records of the two departments so separated that a comparison can be made without difficulty when the books are closed.

ACTUAL BOOKKEEPING

Transactions from March 20 to March 31

The student should enter these transactions in the proper books, making out also all forms called for by each transaction. At the end of the month he should prove cash, post to the ledger, make a trial balance, a loss and gain statement, and a resource and liability statement.

March 20. Bought delivery truck No. 1 of the Packard Motor Co., capacity 2 tons, for $2,450 by check. Bought of the General Motor Co., 3-ton truck No. 2 for $3,565 by check. Employed 2 drivers, Ed Boylan and Pat Masterson, for the trucks at $18 a week each. Bought a gasoline tank and pump for underground use by check, of Charles F.

Horton, for $45.50. Rented a barn from C. Rogers for use for delivery equipment housing, at $10 a month, paying 1 month's rent in advance. Bought a horse, Dan, for $200 by check from the City Sales Stables, a set of harness from J. C. Snyder by check for $21.50, and a delivery wagon from the Wainwright Co., by check for $60. Transferred from stock to the barn for feed, 1 ton baled hay and 25 bu. of oats at cost. Bought from the Standard Oil Co. by check, 240 gals. of gasoline @19½c. Employed Dick Henry to drive the wagon and care for the horse at $12 a week. Received a check from J. W. Freeman for $118.12 in payment of his acceptance of March 5.

Received checks from O. G. Brown and D. M. Swift to balance their accounts.

Sold to H. C. Bingley on % 1 disc harrow, $19.50, 1 spring tooth harrow, $8.50, 1 corn planter, $35, 1 drill, $32.50.

Sold to J. C. Cathcart on % 1 tool cabinet with tools, $50, 10 cylinder front door locks @ $5.50, 20 sets steel door hangers @ $2.50, 100 pairs bronze mortise knobs @ 50c, 20 door checks @ $3.50, 20 door holders @ 40c, 10 doz. mortise knob locks @ $3 per doz., 10 pairs bronze door butts @ 50c a pair, 10 doz. pairs steel butts @ $4.50 a doz., 2 bbls. flour @ $12.

Cash sales for the day: hardware, $314. 35; flour and feed, $150.63.

March 21. Received a check from P. W. Crane to balance his account.

Sold to E. F. Moore on % 1 bbl. flour, $12, 25 bu. oats @ 85c, 2 tons baled hay @ $20, ½ ton chicken feed @ $22.50.

Shipped to R. J. Wonnell Co., Cleveland, for sale on commission, 1,000 bu. wheat and 2,000 bu. corn. The drayage to the railroad is figured at $135 for the shipment.

Sold to O. M. Jarvis on % 400 sq. ft. of plaster board @ 2½c, 100 gals. paint @ $1.30, 100 rolls wall paper @ 65c.

Received from J. W. Immell, St. Clairsville, 25 cwt. potatoes to be sold on commission. Freight on the consignment we pay by check to the Nickel Plate Railroad, $4.50. Drayage by our truck, $2.50.

Cash sales for the day: hardware, $201.41; flour and feed, $205.85.

March 22. Sold to the Clark Grocery Co., 15 cwt. potatoes from J. W. Immell's consignment @ $1.75, for their sight draft on C. M. Ward.

Sold to W. J. North for his note at 120 days, 20 bu. oats @ 90c, 1 ton chopped feed, $40, 12 gals. barn paint @ $1, 6 gals. shingle stain @ 85c, 1 gal. floor varnish, $2.75.

Cash sales for the day: hardware, $167.54; flour and feed, $254.75.

March 23. Sold to Proctor & Willard Co. for cash, 20 cwt. pota-

toes, 10 cwt. from J. W. Immell's Consignment and 10 cwt. from stock, @ $1.78, receiving their check.

Rendered an account sales to J. W. Immell, charging 7% commission.

Received from A. K. Schultz his note in our favor for an amount sufficient to cover the balance due on his account plus discount for 30 days. We discount the note at the bank.

Received from J. H. Egbert, Everett, 50 cwt. potatoes for sale on commission. We pay to the B. & O. R. R. by check, freight on the consignment, $5. Drayage by our trucks, $5.

Sold to L. C. Evans on % 100 bbls. flour @ $11.50, 125 bu. rye @ $1.10, 100 bu. oats @ 85c, 10 tons baled hay @ $20.

Shipped to the R. J. Wonnell Co., Cleveland, for sale on commission, 200 bu. rye. Paid for bags for the shipment, $7.50. Paid for cleaning the rye before shipping, $2.

Bought for cash from J. C. Whiteside, 836 bu. wheat @ $1.25, 786 bu. corn @ 80c, 16 tons baled hay @ $18.50, less 2% for cash.

Bought from the Sesame Milling Co. on % 200 bbls. flour @ $10.50.

J. C. Cathcart returns 1 barrel of flour which was damaged by rain in delivery, $12.

Paid for additional insurance on stock for a 1-year policy, $30 to the International Insurance Co., by check.

Paid the balance due the Carmack Implement Co., receiving discount on the bill of March 13 only, and the Sherwin-Williams Paint Co., by checks.

Cash sales for the day: hardware, $336.21; flour and feed, $228.13.

March 24. Sold to J. T. McArthur on % 100 bbls. flour @ $11.90.

Shipped to the Cornell Commission Co., New York, 100 bu. oats and 10 tons hay to be sold on commission.

Paid for an advertisement in the Daily News by check, $12.60, one-third of which is charged to Consignment No. 1 from J. H. Egbert.

Paid for postage stamps in cash, $10.

Sold to T. P. McRae on % assorted carriage bolts, $5, tire bolts, $2.50, copper rivets, $2.80, steel rivets, $1, 1 kitchen range, $35.

Accepted the H. Disston & Sons Co.'s draft on us in favor of A. J. Brewer at 30 days sight for the balance due them.

Received a check from H. C. Bingley for the balance of his account, less 2%.

Received a check from E. G. Jowett for the balance due on his account.

A letter from E. F. Moore states that 4 bales of the hay sold him on the 21st were of inferior quality, containing weeds, briers and straw. We make him an allowance of $3, notifying him to that effect by letter.

Sold to E. G. Jowett on % 10 dash lanterns @ $1.80, 120 rods woven wire fencing @ 85c, ½ ton chicken feed, $11.25.

Cash sales for the day: hardware, $310.19; flour and feed, $170.60.

March 25. Received an account sales from the R. J. Wonnell Co. for the wheat and corn shipped them March 21. The wheat was sold @ $1.50 and the corn @ 92½c. They paid $90 freight, $75 drayage, and their commission is 5%. We write them a letter, thanking them for the promptness of their action and acknowledging the receipt of their check for the proceeds.

Paid for sorting and sprouting the 55 cwt. of potatoes remaining in stock, $5.50. 2 cwt of them are found worthless and are charged off @ $1.60 a cwt.

Sold to Andrews & Marten on % 40 cwt. of potatoes, 20 cwt. from stock and 20 cwt. from Consignment No. 1 from J. H. Egbert, @ $1.80.

Paid office, store, barn, warehouse and delivery help for the week.

On complaint of 2 customers who bought potatoes during the week, we pay $2.80 rebate in cash.

Paid for 5,000 circular letters to the O. T. F. C. Printing Co., $12.75 by check.

Received a check from J. H. DeMore in payment of his note of Jan. 25.

Accepted J. H. Egbert's draft at 10 days sight on account of his Consignment No. 1 for $50.

Cash sales for the day: hardware, $633.56; flour and feed, $511.60.

March 27. Received a notice from W. C. Carr, a notary public, that the note of E. M. Austin has been presented for payment and refused. Mr. Carr filed formal protest and requests payment of his fee of $2.25. We pay the fee by check and write a letter to Mr. Austin asking the reason for the refusal.

Received checks from Mather & Bradford, and W. B. Hubbard for notes and acceptances due today, also Mr. Jarvis' check covering the balance of his account, not including what he bought March 21.

Sold to Marston Bros., terms cash less 2%, 30 cwt. of potatoes from Consignment No. 1 from J. H. Egbert @ $1.78. Shipping charges on the sales are: drayage $2, freight $3.25.

Paid postage on 5,000 circular letters, $50.

Paid by check our bill for flour purchased from the Sesame Milling Co., March 23, less 2%.

Cash sales for the day: hardware, $93.16; flour and feed, $106.63.

March 28. Sold to Allen & Jones on % 1 gasoline engine, 7 h. p., $165, 1 ton chicken feed, $25.

CASH SALES FOR THE WEEK ENDING MARCH 25
HARDWARE

	Mon.	Tues.	Wed.	Thur	Fri	Sat.	Totals
Lamps and lanterns	1.60	.98	2.10	75		3.80	
Kitchen ware	25	2.78	1.11	9.10	2.14	8.12	
Cutlery		1.45	4.15	2.64	3.10	5.55	
Novelties	2.12		1.84	76	1.78	2.43	
Roofing and spouting	10.25	8.40	2.00	26 75	9.56	14.90	
Paints, varnishes and so forth	21.13	16.40	18.11	34 63	11.19	63.80	
Fencing	8.75	12.12	4.35	16.80	76.45	110.50	
Tools	16.10	9.19	7.26	10.10	18.19	72.12	
Stoves and furnaces	30.00	5.10	75		3.50	15.60	
Nails,screws,bolts,and so forth	6.60	4.18	5.77	3.10	.85	11.91	
Farm implements	84.65	71.12	66.67	92.10	112.85	248.90	
Plumbing supplies	10.00	12.08	20.07	5.42	8.13	26.17	
Buggies and wagons	55.00	36.12	10 10	16.80	48.00	9.95	
Builder's hardware	10.90	16.84	21.11		2.54	17.76	
Engines	48.90			116.50			
Poultry equipment	8.10	4.65	2.15	76	11.91	22.05	
FORM 85 Totals							

FLOUR AND FEED SALES FOR WEEK ENDING MARCH 25

		Mon.	Tues.	Wed	Thur.	Fri	Sat.	Totals
Wheat	bu $1.40	15	8	25	100		95	
Corn	bu 85¢	22	40	20		125	80	
Flour	bbl. $12.00	5	8	3	4	2	18	
Potatoes	cwt $1.80	4	2½	6	3	5½	12	
Rye	bu $1.05	12	13	125				
Oats	bu. 85¢	10	5		10		15	
Chopped feed	lb 3¢	300	500	100	275	250	375	
Baled hay	cwt $1.10	5	10	2	6	12	15	
Chicken feed	lb. 3½¢	250	500	600	350	300	1000	
FORM 86 Totals								

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Received from Allen & Jones their check for the note due today.

Sold to D. M. Swift on % 2 tons chopped feed @ $40, 30 bu. oats @ 85c.

Bought from the Calumet Shipping Co. for our check, 200 bu. oats @ 76c.

Sold to A. K. Schultz on % 1 wagon, $70, 1 surrey, $175.

Cash sales for the day: hardware, $124.45; flour and feed, $197.10.

March 29. A letter from E. M. Austin states that he is unable to meet his note which was protested on the 27th. He offers to ship 5 tons of hay @ $18.50 and 50 bu. of wheat @ $1.25 and to make a new 60-day note for the balance due if we will pay the freight on the goods. We accept his offer by letter.

Shipped to McMinn & Wilton, Chicago, 1,000 bu. corn for sale on commission, paying the freight on the shipment, $20. Drayage by our trucks, $10.

Sold to O. G. Brown on % plumbing supplies and bathroom outfit, $168.50.

Cash sales for the day: hardware, $183.34; flour and feed, $193.13.

March 30. Received an account sales of the oats and hay shipped to the Cornell Commission Co., New York, March 24. The oats were sold @ 97c a bu. and the hay @ $21 a ton. Drayage charges were $12, freight, $13.50, and commission, 9%. They send their check for the proceeds.

Received Marston Bros.' check for the bill of the 27th.

Sold to M. B. Sickels on % 1 kitchen cabinet, $30, 1 oil cooking stove, $34.50, 1 disc harrow, $46.25, 1 gang plow, $150.

Received from J. C. Cathcart his check for the bill of goods sold to him March 20, less 2%.

Received a check from E. F. Moore to balance his account.

Rendered an account sales to J. H. Egbert for his consignment of March 23, charging 7% commission, accompanied by a letter explaining market conditions by referring to the quantity of old potatoes received because of the recent warm weather, and the arrival of several shipments of new potatoes from the south. We request him to send any tree fruits he may have for sale later.

Cash sales for the day: hardware, $172.65; flour and feed, $160.75.

March 31. Received from E. M. Austin the wheat and hay for which arrangements were made March 29, also his note for the amount not covered. We return to him his note with a letter acknowledging the arrival of the goods. Paid freight on the hay and wheat, $6.50.

Sold to J. B. Atkins for his note at 90 days, 350 bu. corn @ 90c, 100 bbls. flour @ $12.

CASH SALES FOR THE WEEK ENDING APRIL 1

HARDWARE

	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Totals
Lamps and lanterns	5.20	3.12		.84	1.19	4.82	
Kitchen ware		1.93	2.12	10.65	.78	4.10	
Cutlery	12.25	3.14	1.21	4.96		11.84	
Novelties	3.10	2.86	2.45	1.67	4.37	2.11	
Roofing and spouting	12.01	2.48	47.12	9.10	16.87	23.80	
Paints, varnishes and so forth	2.50	1.10	18.11	4.65	35.80	19.75	
Fencing	15.20	22.11	9.27	12.14	7.34	36.40	
Tools	9.09	12.16	7.29		18.11	42.10	
Stoves and furnaces			30.00			18.75	
Nails, screws, bolts, and so forth	5.40	3.12	10.56	12.82	4.06	8.23	
Farm implements	22.91	9.83	36.41	27.52	19.73	123.87	
Plumbing supplies	1.82	4.43	7.26	25.00	8.71	63.37	
Buggies and wagons	1 35		8.25	55.00		78.89	
Builder's hardware		3.80	2.17	2.88	7.29	16.36	
Engines		48.50		2.12		65.25	
Poultry equipment	2.33	5.87	1.12	3.30	2.64	7.28	
FORM 87 Totals							

FLOUR AND FEED SALES FOR WEEK ENDING APRIL 1

	Mon.	Tues.	'Wed.	Thurs.	Fri	Sat.	Totals
Wheat bu $1.40	25	16	30	45	19	48	
Corn bu. 90¢	4	7	3	5		8	
Flour bbl. $12.00	3	12	10	5	6	24	
Oats bu. 85¢	4	7	5	10		9	
Chopped feed lb 3¢	500	250	350	100	500	500	
Baled hay cwt $1.10	5	7	8	5	3	2	
Chicken feed lb 3½¢	250	100	150	500	400	600	
FORM 88 Totals							

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Cash sales for the day: hardware, $126.89; flour and feed, $129.90.

April 1. Received a check from L. C. Evans in full for the bill sold to him on March 23, less 2%.

Paid the Criterion Oil Co. for a drum of oil by check, 50 gals. @ 50c.

Sold to W. F. Boltz on % 50 bu. wheat @ $1.40, 25 bu. oats @ 85c, 1 ton hay, $20, 1 cream separator, $60, 1 steel churn, $10.

Paid office, warehouse, store, barn and delivery help for the week by checks.

Cash sales for the day: hardware, $526.92; flour and feed, $406.75.

There is due each partner the interest on his investment for the time which has elapsed since the partnership was formed, and each partner must also be credited with the proportionate part of a month's salary which has been earned during the same time.

How to figure depreciation. Entries into the reserve accounts will be made through the journal. The depreciation on the trucks should be figured at 25% for the first year, so that the entry to date from March 20, when they were purchased, can be conservatively calculated at 1%. The horse is not believed to have deteriorated in value, but depreciation on the wagon and harness will be figured at .4% or $0.004. Depreciation on office furniture and equipment and on store supplies and fixtures will also be figured at 1%. These reserve accounts form a separate class of quasi liabilities and may be placed on the resource and liability statement, as special liabilities, with that understanding kept clearly in mind.

The insurance policy was taken out on March 23, and has therefore been in force 9 days; its depreciation will be the ratio of 9 to 365. The first insurance policy having been charged off against the loss and gain account on the 18th, it will not be considered under the depreciation account.

The student should post, take a trial balance, and make a trading statement, after which the shipment accounts for which account sales have been received should be closed into Loss and Gain through the journal. After the proper accounts have been closed through the journal, into the trading account, a loss and gain statement and a resource and liability statement should be prepared by the student.

In making the loss and gain and the resource and liability statements, the hay and oats transferred from stock to the barn for feed must not be forgotten. Of these there remain 18 cwt. of hay and 18 bu. of oats. This will also provide an inventory in closing the sales expense account.

The final proof will show a net gain of between $2,100 and $2,200 to be divided between the two partners.

STANDARD QUESTIONS

Forming a partnership

1. How may a partner be admitted to the business? Describe several methods.
2. Why may the partnership terms be different in different cases?
3. What is the most satisfactory method of determining each partner's duties?
4. How many different kinds of indorsements are there on the papers brought into the partnership by Mr. Everett?
5. What must be done to the books when a partner is admitted? Why is this?

STANDARD QUESTIONS

Shipments and consignments

1. What is a commission merchant?
2. What is the shipper of goods called?
3. What is the receiver called?
4. Who bears the loss if goods which are for sale on commission are lost or damaged?
5. When does the commission merchant become liable to the shipper?
6. How are accounts with shipments headed and kept in the general ledger?
7. How would you close a shipment account?
8. How are accounts with consignments headed and kept in the general ledger?
9. How would you close a consignment account?
10. What is an invoice of shipment and what information does it contain?
11. What goes on the debit side of the commission account? On the credit?
12. How is confusion likely to arise in ledger accounts connected with selling on commission?
13. What variations occur in calculating commission?

14. How is the general law of debit and credit applied to commission?

15. What is an account sales and what information does it contain?

STANDARD QUESTIONS

Expense and depreciation accounts

1. Why is it sometimes advisable to divide the expense account into a number of accounts?

2. How may the expense account be divided?

3. What items are entered under Sales Expense?

4. How may Sales Expense be divided?

5. How may General Expense be divided?

6. Why are reserve accounts necessary?

7. How are entries made in reserves for depreciation?

8. When and how are reserve accounts closed?

9. What is the reserve account which is connected with Insurance called?

10. How do you determine what entries should be made in the reserve account?

SECTION V

WHOLESALE AND CORPORATION ACCOUNTS

PART ONE

CAPITAL is defined by economists as money or property which is used for the production of more money or property. Many an individual has the business ability or experience to make him capable of carrying on an enterprise, but he may lack the necessary capital.

How capital may be obtained. There are three ways in which he may obtain this capital:

1. He may borrow from those who have it, thus obligating himself to pay interest and to return the principal at a stated time. To this plan there are grave objections. The lender has no direct interest in the success of the business; he is concerned only in the regularity with which he receives his interest.

This drain of interest payments may seriously handicap the enterprise while it is in the early stages of its development. The need of additional capital for unexpected emergencies may be refused, either because lenders have lost faith in the ultimate success of the venture, or because they think that by withholding aid the originator of the idea can be forced out and they can gain control of something that promises greater returns than their loans to him.

2. Another way by which the owner of a business may get capital is by taking in partners, thus pooling property and effort. A partnership being a matter of agreement is subject to all the changes which may arise through the individuals which compose it. The withdrawal or death of a partner dissolves the partnership, and an enterprise which requires time for development may be seriously hampered if its growth is dependent upon

the health, patience, and even the whims of each individual concerned in its progress.

3. A third method of obtaining money is by forming a corporation. In this plan the objectionable features of the other two plans are avoided. Any number of persons can be interested to any extent, from the price of one share upward. All who invest have a vital interest in the success of the project, because the better it does the more they profit. At a critical point they can help by putting in enough more money to tide it over. The corporation never dies; change of ownership of the stock does not in itself affect the corporation; its progress is not hindered by the necessity of obtaining the consent of all concerned to every variation of policy.

Why corporations are economical. In addition to the convenience of securing funds for operation, the corporation provides opportunity for economy of administration. Ten businesses of the same kind, operated by 10 different firms, each with a total investment of less than $10,000, would require 10 offices equipped for the business, each with its sales force, its delivery system, and so on; all would be covering the same territory more or less, to secure business, with the accompanying waste of time and effort. The 10 organizations combined into one would save probably three-fourths of the office expense, a large part of the operating expense, and would be able to give much better service at a lower cost to customers, at the same time making larger profits. Hence the popularity and growth of the corporate plan of business organization.

How to form a corporation. The law recognizes three ways in which a corporation may exist, but the only one of special interest to the accountant is that by which the persons who desire to form the corporation usually proceed. Different states have a variety of methods of procedure, but in general the legislature designates an officer or a board to whom application is made for a charter. Those who are organizing the corporation are required to show that there are bona fide subscriptions for a certain portion of the proposed capitalization, and also that a certain portion of the subscription price has been paid in cash. The organizers of the corporation are then required to call a

meeting of the stockholders, who proceed to elect a board of directors for the corporation.

In voting at these meetings each stockholder usually has one vote for each share of stock owned by him. In case a stockholder is unable to attend a meeting he may appoint some other stockholder to vote his shares for him; this is called his "proxy." Each stockholder receives a certificate of stock showing the number of shares in his name, signed by the officers.

How a corporation is managed. These officers are chosen by the board of directors. They carry on the business and as they are elected both to the board of directors and to their respective offices by a majority of the shares of stock, and as they are usually the men who own the stock represented by that majority, there is little likelihood that any sudden change in the management will take place. A corporation is thus conducted by an individual or a few individuals who own or control at least 51% of the stock and who permanently shape the policy of the concern, while the other 49% remains in the hands of holders who are willing to accept the results produced, or, if they become dissatisfied, sell the stock in the open market, or, in the case of poor management, sue the corporation.

Two kinds of capital stock. Two kinds of stock may be issued—preferred and common. If the corporation earns enough to pay a profit, it is distributed to the stockholders in proportion to the amount of stock owned by each. This distribution of profit is called the dividend. Preferred stock is so called because dividends are paid first to the holders of that kind of stock. If it takes all the profit of the company to pay the dividend on the preferred stock, holders of common stock get nothing; if there is any profit left after the dividend is paid to the holders of preferred stock, it may be apportioned to the holders of common stock.

If the business produces only a little profit, the preferred stock usually takes all of it, while if the profit is large, the common stock may receive far more than the preferred, because the dividend on preferred stock is usually at a fixed rate, from 5% to 8%, but the amount of the dividend paid on common stock is limited only by what remains after the preferred dividend requirements have been met.

What capital stock is worth. The par or face value of stock is the price set on shares as they are issued by the corporation, usually $100, but sometimes $10, and occasionally $1. This face value is no indication of the price at which the stock may be bought or sold. If the company is not doing well, so that dividends are small, or perhaps lacking altogether, stockholders may offer their shares below the par value, sometimes for a very small part of it, but if the dividends are good and the company prosperous, the demand for the stock may make it rise in market value. The stock of some well-known, profit-producing corporations, when it can be bought at all, commands prices several times the par value.

Sometimes the profits of the business are not all distributed in dividends. In that case the part remaining on hand is entered in a ledger account under the title of Undivided Profits. If, however, the intention is to leave this extra money in the business permanently, the amount so set apart may be entered under an account called Surplus. These terms are so nearly synonymous that they are often used interchangeably.

Corporation accounting. The variation from the ledger as we have previously kept it will appear in the closing of the loss and gain account into accounts with Dividend, Undivided Profits, and Surplus since there is now no ownership or partners' accounts, but instead one with Capital Stock (or two with Preferred Stock and Common Stock) into which entries are made only when the stock is issued or retired. If some of the stock of the company is purchased in the open market by the corporation itself or is donated to the company by a stockholder, it is held until such time as additional capital may be needed, when it can be sold in the open market. Such stock is entered in an account called Treasury Stock.

Thus far, ledger accounts have been kept with Purchases and with Sales, but these ledger accounts were kept in the same ledger with other accounts—that is, personal accounts were found along with property accounts. In the Union Grocery Company a separate ledger will be kept for purchases and another for sales. All personal accounts payable will be found in the purchase ledger and all personal accounts receivable in the sales ledger. All other accounts will be kept in the general ledger.

The subordinate ledgers. All ledgers other than the general ledger are called subordinate ledgers, and a summary of each subordinate ledger appears in the general ledger as an account with that special department. If, for example, transactions with customers go into the sales ledger, each customer's account is there and not in the general ledger. Entries in the sales book are posted to the sales ledger, as are also customers' credits from the cash book for cash they have paid or discounts allowed them, customers' credits from the journal for goods they have returned, and customers' credits from the bills receivable book for notes or acceptances they have given. Entries from other books of original entry are treated in the same way.

What controlling accounts are. At the same time there is an account in the general ledger under the title Sales Ledger or Accounts Receivable. In each of the books of original entry there is a special column for sales ledger entries and at the close of the fiscal period the footings of these columns are posted to the general ledger on the same side as in the sales ledger to which the separate items were posted. The sales ledger or accounts receivable account thus becomes not only a summary of the sales ledger, but also a check on the correctness of the sales ledger if there should be an error in the trial balance. The general ledger accounts like Accounts Receivable and Accounts Payable are called the controlling accounts.

Some books of original entry might contain so few sales ledger entries that it would not be worth while to rule a special column for them; in that case each of those entries would have to be posted twice—once to the sales ledger and again to the general ledger on the same side of the sales ledger account.

The private ledger. In some business offices a private ledger is kept by the president or his secretary. This the bookkeeper never uses. Whoever keeps the private ledger reports the amount of the balance to the general bookkeeper at stated times, and this is kept in the general ledger under a controlling account with Private Ledger.

The ownership of stock is recorded in the stock ledger; each stockholder is credited with the number of shares at their par value and is debited for the shares he sells.

Accounting for stock sold. When a stockholder sells any of his stock, the mere passing of his certificate to another does not transfer the ownership on the books of the company. If he sells all the stock, he may indorse the certificate to the new holder; if he sells a part of his stock, new certificates will be made out by the secretary of the company, one to the new holder for the number of shares he has purchased and another to the former holder for the number he has retained. In addition to this, the transfer must be recorded by the secretary of the corporation before the transaction is complete.

Since dividends are paid to stockholders of record on a certain date, in the case of stocks which are constantly changing ownership it is necessary to close the transfer books for a number of days ahead.

ACTUAL BOOKKEEPING

The Union Grocery Company

The student will now enter the service of the Union Grocery Company, a going concern with a net capital of $100,000 divided into 1,000 shares of $100 each. The stock of the company is owned by the following stockholders:

W. H. Carmichael	501 shares	Grace Dalton	25 shares
Helen Carmichael	50 shares	Elsie Speelberg	5 shares
T. C. Barthold	50 shares	Elizabeth Smith	5 shares
Mary J. Carson	10 shares	Harriet Blackmuir	7 shares
H. L. Friend	25 shares	Gladys McKeown	8 shares
T. P. Wilson	33 shares	A. J. Haas	15 shares
James Hatfield	5 shares	C. J. Ellis	15 shares
Joshua Whitfield	12 shares	L. N. Day	20 shares
Gertrude E. Groves	9 shares	W. W. Goodnow	25 shares
John Belton	10 shares	L. J. Brennan	30 shares
C. Y. Jackson	20 shares	F. M. Pesicka	15 shares

The student buys 5 shares at par upon coming into the business; the other 100 shares are held by the company as treasury stock. The student should open accounts in the stock ledger showing the ownership of these shares of stock, understanding, of course, that if he were to come as bookkeeper into the office of a going concern of this kind in actual business, these accounts would already have been placed in the stock ledger.

The company's stock of goods on hand on April 1 is found to be as follows:

Sugar	$ 3,348.25	Teas, coffees, cocoa and chocolate	$ 9,849.79
Canned goods	22,648.35	Soaps, powders, starch, etc	1,467.91
Candy	324.87	Butter, cheese, lard and substitutes	14,375.86
Extracts, spices	529.72	Nuts and dried fruits	4,084.12
Sea foods	2,286.49	Miscellaneous items	6,874.22
Flour, cereals, meal, etc	4,686.42		

The bills receivable book shows the following papers:

Note of P. W. Jamison, dated March 7, at 30 days, for $465.50.

Note of J. C. Amboy in favor of C. N. Flight, made Jan. 18, at 90 days for $800, indorsed by Mr. Flight in full to the Union Grocery Co.

Draft drawn by A. McDonald on Wolf & Dean, in favor of Hammer and Imhof, at 30 days' sight, for $1,284.25, March 20, indorsed to the Union Grocery Co. in blank as a credit to the payee's account, accepted March 22.

Draft drawn at 60 days after date, Feb. 4, by J. A. Dyer, on March and Ramage, accepted Feb. 11, indorsed without recourse to I. L. Oldhof, and indorsed in blank when coming into the possession of the Union Grocery Co., for $912.50.

Note by the J. P. Sanders Co., made Jan. 18 at 90 days, for $350 with interest, indorsed to H. M. LeVere on Feb. 17 by an indorsement in full, indorsed to Charles Allen without recourse Feb. 25, indorsed in blank when it came into the possession of the Union Grocery Co., with a partial payment of $100, March 4.

According to the bills payable book the company owes the following:

Note, made Jan. 25, at 90 days, in favor of the Secale Milling Co. for $750.

Note in favor of the International Coffee Co., for $623.80 made Feb. 15, at 60 days.

Draft drawn on us by the Stannum Canning Co., in favor of C. M. Wilde, at 30 days' sight, March 17, for $925.75, accepted March 20.

Draft on us, drawn March 7, at 30 days after date, accepted March 11, by the Forbes Chocolate Co., in favor of the Kingline Co., for $844.50.

The sales ledger shows the following balances of accounts receivable: T. B. Arthur, $247.10, J. Y. Bayne, $186.74; Geo. H. Brown & Co., $348.12; Mach & Osborne, $83.91; the Clarke Grocery Co., $144.60; Bush & Kennedy, $48.76; Hammer & Imhof, $287.48; Hart & Martin, $437.19; The Kipton Grocery Co., $110.18; Erner & McKean, $88.59; The Dowman Tea & Coffee Co., $67.83; The Sweet Shoppe, $22.17; The Fletcher Bros. Co., $683.27; Allen & Young, $97.34; E. J. Barnes, $108.17; M. C. Weston, $9.85; J. W. Meyer, $178.62; E. P. Gessler, $85.50; The Square Grocery, $72.43; Fortescue & Thier, $863.19;

J. E. Charvat, $1,274.83; Otten & Fredeker, $1,682.12; Murphy & Kilbane, $1,413.09; McIvor & Brady, $916.38; M. B. Trostler & Co., $895.34.

According to the purchase ledger there are balances in the accounts payable as follows: The American Sugar Co., $487.12; The Stannum Canning Company, $277.19; The Secale Milling Co., $648.10; The Triticum Baking Co., $163.29; The Forbes Chocolate Co., $247.38; The International Coffee Co., $389.46; The Nippon Tea Co., $243.52; The American Fruit Importing Co., $38.63.

The books used in this set are: The general ledger, sales ledger, purchase ledger, and stock ledger; the bill books; the cash journal, which is a combination of cash book and journal and is described more fully on page 137; the sales book, which is composed of the loose-leaf order sheets in a binder; and the invoice file, in place of the purchase book.

The delivery equipment of the Union Grocery Company consists of 3 trucks valued at $2,850, $3,175, and $2,900. The office furniture and equipment inventory is $2,450; store supplies and fixtures, $4,275. There is a debit to the insurance account for $150. On Jan. 1 of the current year, the reserve for depreciation of delivery equipment was figured at 30% on truck No. 1, which had been in service 18 months, 15% on truck No. 2, which had been used 11 months, and 10% on No. 3, which had only 8 months of wear. Entries were also made at that time for 10% in the reserves for depreciation of both office furniture and equipment and store supplies and fixtures. The balance of cash in the bank at this time is $7,587.63.

From the information given, the student should make the trial balance as his initial step in taking charge of the books.

The ruling in the purchase ledger and sales ledger are just like those we used in the work of the Busy Retail Store in Section IV. The general ledger is ruled as heretofore, but has capital and dividend accounts instead of those for proprietor or partners, and has controlling accounts for the purchase ledger and the sales ledger. The ruling of the stock ledger differs from the other ledgers, however, because it must contain information not necessary in other accounts. Form 89 on page 137 shows one form of stock ledger. All entries in it are for the par value of the stock.

How the cash journal saves time. The bookkeeper's time is often saved by reducing the number of necessary records. One way is to combine the cash book and the journal into a book called the cash journal. One part of the book is called the receiving cash journal; there are seven columns for money entries

besides the Date, Explanation, and Account Credited columns. Net cash is entered in the first money column, and sales discount in the second; the third and fourth columns are the posting columns to the general ledger or the sales ledger; the folio column follows them. The special columns for returned sales and for sales rebates and allowances are also the posting columns for the credits indicated in the Account Credited column; the totals are

T. P. Wilson

	SALES							PURCHASES						
Date		Transferred to	Certificate No.	No. of Shares	Par Value		Date		Transferred from	Certificate No.	No. of Shares	Par Value	
19— April	17	B. M. Baker	24	8	800	00	19— April	1	Stock	6	33	3300	00
		Balance			*2500*	*00*							
					3300	00						3300	00
							April	17	New Certificate	25	25	2500	00

FORM 89: Stock Ledger Account

entered on the debit side of those accounts at the end of the fiscal period. The column for Bank Deposits is not to be posted, but takes the place of the additions on the stub of the check book. This is all there is to the receiving cash journal.

The other part of the book is the disbursing cash journal. In this there are nine money columns. The non-posting column for net cash paid out comes first, Purchase Discount second, then the General Ledger and Purchase Ledger debits, and then the folio column. Following this are Returned Purchases and Purchase Rebates and Allowances as credits, from which are posted the individual debits and the total credits at the close of the fiscal period. General Expense and Sales Expense columns are not posted until the end of the period. The column for bank checks completes the record with the bank and, with the deposits column of the receiving cash journal described above, renders the keeping of a stub in the check book unnecessary.

Handling small cash payments. It is often more convenient to pay small amounts in currency than by check. To make

this possible some currency is kept in the cash drawer. A check is cashed at the bank for a specified sum, as $50, and this cash is used for small expenditures. A careful record of such expenditures is made in a memorandum book called the petty cash book. When the imprest fund, as it is sometimes called, gets low, all the items in the petty cash book are classified and transferred to the cash journal, and the petty cash book is balanced. A new check is then drawn for the part of the fund which has been used in order to bring it back to the original sum. If financial statements are made at any time while this imprest fund is in use, no recognition is made of the expenditure of any part of it; it is included at its face as part of the cash resources.

Power of attorney. The bookkeeper is often expected to draw checks and to sign other vouchers for the firm for which he works. To do this legally he should have a power of attorney from the officers of the company. A power of attorney is simply the written authority of one person authorizing another to transact business for him. Unwisely used a power of attorney is very dangerous, and the powers authorized should be very carefully described and provision made for revoking the authority.

Inspecting order sheets. Each sale of goods for the Union Grocery Company is made on an order sheet like that shown in Form 90 on page 139. These order sheets are made out by the salesmen. The student will act as salesman to the extent of filling out these orders. In the regular course of business these order sheets would be inspected as to items and prices, and then go to the credit department to determine the standing of the customers. They are then sent to the copying department, where as many copies of the order are made as there are departments in which the goods are to be assembled. A copy then goes to each department, and the goods are sent to the shipping room accompanied by the copy. Here the shipping department checks from the original order sheet received from the copying department. Next the order sheet is handed to the extending clerk, who makes the entries in the columns under the heading, "Salesmen must not use these columns," and then to the billing department.

The student should make these extensions on the order sheets and also make bills for the goods. After bills are made out, they

Date Sold	THE UNION GROCERY COMPANY	Folio
Terms	Paid / Sold to / Town and State / Ship by — Ordered by / Salesman / Approved / Delivery / Date shipped	Date Billed
Inspected by		Billed by

Department	Shipper's Check	Quantity	Order No.	Each	Weight	Price	Salesmen must not use these columns

FORM 90: This is the sales order which the salesmen employed by the Union Grocery Company fill out for every sale of goods. What happens to the orders after they are filled out is told on page 138. Whenever information is wanted about the order, all that has to be done is to consult the copy in the file, which contains all the necessary information.

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and the original order sheets go to the checking clerk or "o. k. clerk" and finally, after the bills are sent to the customers, the order sheets go to the files in the bookkeeping department. Postings to the sales ledger are made from these original orders, giving the order number at the top of the middle column instead of a page number in the folio column of the ledger. The original order sheets are then filed in a binder provided for the purpose. This binder thus becomes the sales book.

What happens to incoming invoices. Incoming invoices go to the receiving department for checking, after which they go to the o. k. clerk to determine the accuracy of the calculations. They come finally to the bookkeeper, who posts from the invoices to the purchase ledger and then files them in a compartment for that purpose. The invoices cannot be conveniently bound, because they are usually of different sizes and shapes, but this file becomes the purchase book. Each invoice is numbered by the bookkeeper, and this number is entered in the folio column of the ledger. These numbers will begin with 097 in the books of the Union Grocery Company.

STANDARD QUESTIONS

Corporations

1. What is capital?
2. How may you secure capital for a business enterprise?
3. Which is the best plan of securing capital?
4. What are the objections to the other plans?
5. What advantages has a corporation in its administration?
6. In how many ways may a corporation come into existence?
7. What is the usual method of procedure in your state?
8. How many votes does each stockholder have?
9. If a stockholder cannot attend a meeting does he lose his vote? Why or why not?
10. What evidence has a stockholder of his own ownership?
11. How are the officers of a corporation chosen?
12. Why are the officers usually permanent?
13. What kinds of stock are issued by a corporation? Explain each kind.
14. What is a dividend?
15. How does stock change ownership?
16. What is meant by par, or par value?
17. What determines the market value of stock?

18. What information does the stock ledger contain?
19. What is meant by undivided profits? What is a surplus?
20. What accounts are found on the books of a corporation which would not appear in other organizations?

STANDARD QUESTIONS

The books of the Union Grocery Company

1. What is the purpose of the purchase ledger? Of the sales ledger?
2. What are controlling accounts? Where are they kept? How is the posting done when controlling accounts are kept?
3. What books are used in this chapter?
4. How is the posting done from the receiving cash journal?
5. Name the columns in the disbursing cash journal.
6. How are these items and columns posted?
7. What is the imprest fund, and how is it kept?
8. What is meant by power of attorney?
9. Describe the course of an order. What is the final disposal of the order?
10. How is the purchase book formed in this chapter? Do you approve of this method?

PART TWO

ACTUAL BOOKKEEPING

Transactions of the Union Grocery Company from April 3 to April 15

The student should enter these transactions in the proper books, making out also all forms called for by each transaction. On April 15 he should prove cash, post to the ledger, and make a trial balance.

April 3. Sold Allen & Young, on % 10 days: 2 bbls. sugar, 400 lbs. @ 8¼c; 6 bbls. flour @ $11.75; 100 lbs. O. G. Java coffee @ 31½c; 400 lbs. evaporated California prunes @ 11½c; 100 lbs. Muscatel raisins @10½c.

Sold to Bush & Kennedy, on % 15 days: 50 lbs. anchovies @ 13c; 100 lbs. boneless cod @ 23c; 20 sacks (24½ lbs. each) rye flour @ 3½c; 60 brooms @ 63c; 2 cases borax @ $3.75; 100 lbs. starch, $4.10.

Sold to Mach & Osborne, 2% 10 days: 200 lbs. rolled oats @ 6¼c; 200 lbs. yellow corn meal @ 2½c; 50 lbs. pastry flour @ 5½c; 1 bbl. sugar, 200 lbs., @ 8¼c.

Sold E. P. Gessler, on % 15 days: 2 cases catsup @ $5; 25 gals. cane syrup @ 95c; 100 lbs. oleomargarine @ 32½c; 100 lbs. evaporated peaches @ 11c; 50 lbs. O. G. Java Coffee @ 31½c.

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Sold to the Dowman Tea & Coffee Company, 2% 10 days: 100 lbs. Java and Mocha coffee @ 38c; 200 lbs. Mocha coffee @ 30c; 100 lbs. Rio coffee @ 14½c; 50 lbs. Oolong tea @ $1.10; 50 lbs. Young Hyson tea @ 78c; 50 lbs. Japan tea @ 54c.

Sold to T. B. Arthur, 2/10, N/30: 10 pails peanut butter @ $1.25; 100 lbs. mixed nuts @ 21c; 100 cases canned fruits @ $6.50.

Sold to the Clark Grocery Co., on % 15 days: 100 lbs. Swiss cheese @ 37½c; 20 lbs. Roquefort cheese @ 52c; 10 pails of lard @ $3.50; 20 lbs. Limburger cheese @ 31c; 100 lbs. Cotosuet @ 28c.

Received checks as follows: T. B. Arthur, $200; Mach & Osborne, $83.91; Hammer & Imhof, $100; Hart & Martin, $200; The Fletcher Bros. Co., $350; Mach & Osborne, $36.01; Fortescue & Thier (2% discount), $845.93.

Paid by check: The American Sugar Co., $250; The Secale Milling Co., $348.10; The International Coffee Co., $139.46; The Nippon Tea Co., $100.

Received incoming goods with invoices as follows: 50 bbls. (10,000 lbs.), sugar @ 7¼c, from the American Sugar Co.; 12 cwt. dried fruits from the American Fruit Importing Co., @ $8 per cwt.

The Fletcher Bros. Co. return 1 case of canned peaches sold to them last month, $5.87.

April 4. Sold to J. Y. Bayne, 2/10, N/30: 5 cases canned plums @ $4.77; 10 cases canned blackberries @ $5.38; 30 cases canned pears @ $6.12; 25 cases canned raspberries @ $6.35.

Sold to Geo. H. Brown & Co., for cash less 2%: 5 bbls. sugar (1,000 lbs.), @ 8¼c; 500 lbs. O. G. Java coffee @ 29½c; 50 cases canned cherries @ $7.95.

Sold to Hammer & Imhof, on % 15 days: 100 cases canned pineapple @ $5.62½; 50 cases canned cherries @ $7.95; 50 cases canned peaches @ $5.25.

Sold to the Kipton Grocery Co., 2/10, N/30: 75 cases canned asparagus @ $6.88; 50 cases canned beans @ $5.65; 50 cases canned peas @ $3.95; 25 cases canned tomatoes @ $2.65.

Received checks as follows: Geo. H. Brown & Co., $614.95; M. B. Trostler & Co., $500; Murphy & Kilbane (2% discount), $1,384.83; Otten & Fredeker (2% discount), $686.

Received a sight draft on Ingram & Houk, drawn by J. E. Charvat in favor of the Union Grocery Co., for $980, allowing 2% discount on the payment. The draft is presented and paid.

Bush & Kennedy return 50 lbs. of the boneless cod sold them yesterday @ 23c.

Drew a draft at 10 days' sight on McIvor & Brady in favor of The American Sugar Co., for the bill purchased yesterday, less 2%.

Drew a check for $50 for the imprest fund.

Received a letter from E. J. Barnes stating that a case of soap powder, sold to him in March, is unsatisfactory, having apparently deteriorated in strength. Write him a letter stating that we have allowed him credit for $3.50, and asking him to sell the powder at a special price.

April 5. Sold to Hart & Martin, on %: 10 bbls. (2,000 lbs.) sugar @ 8¼c; 16 boxes (400 lbs.) raisins @ 11c; 50 pails salmon @ $2.62½; 50 pails mackerel @ $4.37½; 100 cartons washing powder @ $2.95.

Sold to Erner & McKean, 2/10, N/30: 50 gals. cooking oil @ $1.98; 100 pails lard @ $3.50; 500 lbs. cheese @ 17c; 10 tubs butter @ $27.50; 100 tins Camembert cheese @ 33c.

Sold to the Sweet Shoppe for cash: 50 lbs. peanut brittle @ 21c; 75 lbs. bitter sweet chocolates @ 26c; 50 lbs. stick candy @ 17c; 25 lbs. caramels @ 18½c; 50 lbs. marshmallows @ 23c.

Sold to Allen & Young, 2/10, N/30: 100 lbs. candied fruits @ 46c; 60 boxes chewing gum @ 66c; 20 bbls. sugar, 4,000 lbs., @ 8¼c.

Received checks as follows: McIvor & Brady, $205.88; the Square Grocery, $74.43; E. P. Gessler, $85.50; the Sweet Shoppe, $76.80; Allen & Young, $97.34; March & Ramage (for their acceptance), $912.50.

Paid for repairs on truck No. 1, $12.50.

Paid for advertisement in the "Press," $16.80.

Paid freight bills by check to the L. S. & M. S. R. R., $67.12.

The Kipton Grocery returns 5 cases of canned tomatoes @ $2.65.

Paid rent of the store for the month of April, $300.

Notify the American Fruit Importing Co., New York, by letter that the dried fruit which arrived April 3 was damaged to the extent of $7 in transit.

Write a letter to the Square Grocery telling them that they overpaid their account $2, which has been credited to their account.

April 6. Sold to the Fletcher Bros. Co., 2/10, N/30; 50 cartons Rising Sun stove polish @ 84c; 300 brooms @ 62½c; 10 doz. polishing mops @ $10.75 a doz.; 12 doz. qt. cans oil polish @ $8.50 a doz.

Sold to E. J. Barnes on % 15 days: 100 Edam cheeses @ $1.37; 100 tins Camembert cheese @ 33c; 75 lbs. brick cheese @ 27c; 30 lbs. Limburger cheese @ 28c; 10 tubs butter @ $27.50.

Sold to M. C. Weston for his note at 30 days: 12 bbls. sugar (2,400 lbs.), @ 8¼c; 90 cases assorted soups @ $2.28; 50 cases 4-oz. bottles of extracts @ $4.80.

Sold to J. W. Meyer, 2/10, N/30: 50 bbls. flour @ $10.38; 100 eighth sacks graham flour @ $1.17; 100 eighth sacks entire wheat flour @ $1.18½; 100 25-lb. sacks yellow corn meal @ $1.21.

Received checks as follows: T. B. Arthur, $47.10; J. Y. Bayne, $186.74; Geo. H. Brown & Co., $348.12; the Clark Grocery Co., $144.60; Bush & Kennedy, $48.76; P. W. Jamison (for his note), $465.50.

Paid our acceptance for $844.50.

Paid for gasoline for trucks, $10.50.

Petty cash book entry; telegram, 76c.

Paid telephone bill, $16.

April 7. Sold to Allen & Young, 2/10, N/30: 50 boxes laundry soap @ $1.50; 50 boxes toilet soap @ $7.50; 25 tubs butter @ $27.50; 127 lbs. cheese @ 17c.

Sold to Bush & Kennedy on %: 10 bbls. (2,000 lbs.), sugar @ 8¼c; 20 cans lard @ $17.50; 4 bags (125 lbs. each) green Rio coffee @ .0937½ a pound; 4 bales (150 lbs. each) green Mocha coffee @ 28c; 4 half chests (75 lbs. each) Japan tea @ 53c.

Sold to Mach & Osborn, 2/10, N/30: 5 cases canned asparagus @ $6.48; 10 cases canned cherries @ $4.10; 10 cases canned peaches @ $7.35; 10 cases canned strawberries @ $7.35; 10 cases canned raspberries @ $6.12½; 10 cases canned blackberries @ $5.10; 10 cases canned pears @ $7.35.

Sold to E. P. Gessler on %: 10 tubs butter @ $27.50; 417 lbs. cheese @ 17c; 50 lbs. Limburger cheese @ 30c; 50 pails salt mackerel @$1.27; 50 pails lake herring @ 99c.

Received the following goods with invoices: syrups, extracts and spices from the Tonquin Mfg. Co., Savannah, Ga., $256.85; soaps, soap powders, and starch from the National Soap Works, Omaha, Neb., $748.12; picnic kits, waxed papers, paper napkins and decorating paper from the Niagara Paper Novelty Co., Buffalo, N. Y., $186.90; brushes, mops, brooms, and buckets from the Andrews Woodenware Co., Detroit, Mich., $296.45.

Received a letter from the Square Grocery thanking us for the information reported to them April 5.

Received checks as follows: Otten & Fredeker, $482.12; J. W. Meyer for balance and bill of April 6, less 2%, $1,036.61; E. P. Gessler, bill of April 3, less 2%, $91.14; E. J. Barnes, balance to April 1, $104.67; M. C. Weston, balance, $9.85; the Fletcher Bros. Co., balance to April 1, $327.40.

Paid balance due the American Sugar Co., $237.12.

Paid balance, less 2%, to the Forbes Chocolate Co., $242.43.

Petty cash book entries: postage due, 13c; messenger service, 65c; long-distance telephone bill, 35c; carfare, 50c.

Paid for cleaning windows, $5.

Paid the Sign Writer Co., for advertisements on billboards, $167.50.

Paid expressage on goods from Niagara Paper Novelty Co., $5.60.

Write a letter to the Niagara Paper Novelty Co., calling their attention to the fact that the expressage on the package received from them was not prepaid, and enclosing a check for the amount of their bill, less 2% and less the amount paid for expressage.

April 8. Sold to the Clark Grocery Co., 2/10, N/30: 25 bbls. sugar (5,000 lbs.), @ 8¼c; 50 bbls. flour @ $11.75; 500 lbs. buckwheat flour @ 4c; 800 lbs. oatmeal @ 6¼c; 25 half chests (75 lbs. each) green Japan tea @ 57c.

Sold to Hammer & Imhof, 2/10, N/30: 10 bags (125 lbs. each) Rio coffee @ 13c; 8 bales (150 lbs. each) Mocha coffee @ 31½c; 10 half chests (50 lbs. each) Oolong tea @ 57c; 10 half chests (60 lbs. each) English Breakfast tea @ 55c; 500 lbs. cocoa @ 30c.

Received checks as follows: J. Y. Bayne for bill of April 4, less 2%; Hammer & Imhof, balance to April 1; Hart & Martin, balance to April 1; The Kipton Grocery Co., balance to April 1; the Dowman Tea & Coffee Co., balance to April 1.

We receive a letter from the American Fruit Importing Co., allowing our claim of $7 for damaged goods received April 3.

The Dowman Tea & Coffee Co. return 50 lbs. of Mocha coffee @ 30c, sold to them April 3.

The Kipton Grocery Co. return 10 cases of canned asparagus sold to them April 4 @ $6.88.

We return to the National Soap Works 2 boxes laundry soap purchased April 7 for $8.50.

Paid the Stannum Canning Co. by check the balance of our account.

Paid the Secale Milling Co. by check the balance of our account.

Paid the Triticum Baking Co. by check balance of account.

Paid the American Fruit Importing Co. by check balance to April 1, and bill of April 3 less 2%.

Made out a check to payroll, to be distributed as follows: office force, $125; sales force, $186.50; delivery men, $75; warehousemen, $36.

April 10. Sold to T. B. Arthur, 2/10, N/30: 10 bbls. flour @ $11.75; 5 bags Rio coffee (125 lbs. each) @ 16c; 4 bales Mocha coffee (150 lbs. each) @ 30c; 4 half chests (75 lbs. each) Japan tea @ 60c; 4 half chests (60 lbs. each) English Breakfast tea @ 52c.

Sold to J. Y. Bayne, 2/10, N/30: 4 boxes (50 lbs. each) evaporated peaches @ 14½c; 100 cartons dates @ 23c; 4 boxes (25 lbs. each) raisins @ 11c; 10 boxes (25 lbs. each) prunes @ 12½c.

Sold to Geo. H. Brown & Co., 2/10, N/30: 2½ tubs butter @ $27.50; 100 lbs. brick cheese @ 31½c; 5 cans lard @ $17.50; paper novelties, $12.75.

A letter from Mach & Osborn states that the labels were torn from many of the canned goods shipped them on the 7th, and they have paid $3 to have them replaced. Write them a letter allowing them a rebate of $3.

Received from T. B. Arthur a check for $350 on account. Allow him 2% discount.

Received from Bush & Kennedy the balance of the bill of April 3 in full.

Received from Hammer & Imhof their check for the bill of April 4 in full.

Received from Erner & McKean a check for the balance of their account to April 1.

April 11. Sold to M. B. Trostler & Co., 2/10, N/30: 5 cases canned corn @ $3; 5 cases hominy @ $1.95; 10 cases lima beans @ $3.60; 10 cases succotash @ $3.30; 10 cases stringless beans @ $4.72.

Sold to McIvor & Brady, 2/10, N/30: 5 pails salmon @ $6.40; 5 pails mackerel @ $10.75; 10 pails Gaffelbittar herring @ $1.22½; 20 pails lake herring @ $1.

Sold to Murphy & Kilbane for net cash: 1 bbl. sugar (200 lbs.) @ 8¼c; 2 bbls. flour @ $11.75; 1 mat (75 lbs.) Java coffee @ 45c; 1 half chest (70 lbs.) Young Hyson tea @ 77c.

Sold to Otten & Fredeker, 2/10, N/30: 20 gals. maple syrup @ $1.75; 5 gals. New Orleans molasses @ 57c; 5 gals. sorghum @ 83c; 2 cases Chili sauce @ $6.50.

Received from Murphy & Kilbane their check for the bill sold them today.

April 12. Sold to Hart & Martin, 2/10 on %: 20 cases hominy @ $1.95; 12 cases succotash @ $3.30; 15 cases corn @ $3; 50 gals. maple syrup @ $1.73.

Sold to the Kipton Grocery Co., 2/10 on %: 25 bbls. flour @ $11.75; 10 bbls. sugar (2,000 lbs.) @ 8¼c; 200 lbs. cocoa @ 25c; 5 bales (150 lbs. each) Mocha coffee @ 30c.

Sold to Erner & McKean, 2/10 on %: 50 bbls flour @ $11.75; 100 lbs. mixed nuts @ 16c; 25 cases lima beans @ $3.60; 25 cases stringless beans @ $4.72; 40 cases corn @ $3.

Petty cash book entries: telegram, 40c; messenger, 35c; postage due, 18c; carfare, 50c.

April 13. Sold to the Dowman Tea & Coffee Co., 2/10 on %: 4 (125 lb.) bags Maracaibo coffee @ 21c; 4 (125 lb.) bags Rio coffee @ 16c; 4 (150 lb.) bales Mocha coffee @ 30c; 4 (75 lb.) mats Java coffee @ 40c; 4 half chests (75 lbs. each) Japan tea @ 60c; 5 half chests (70 lbs. each) Young Hyson tea @ 70c; 5 half chests (60 lbs. each)

English Breakfast tea @ 63c; 6 half chests (50 lbs. each) Oolong tea @ $1.10.

Sold to the Square Grocery Co., 2/10 on %: 200 lbs. California prunes @ 10½c; 200 lbs. evaporated peaches @ 14c; 500 lbs. Muscatel raisins @ 12c; 200 lbs. butter @ 55c; 200 lbs. lard @ 35c; 20 bbls. flour @$11.75.

Sold to Fortescue & Thier, 2/10 on %: 100 cases Lux soap flakes @ $1.30; 10 boxes starch @ $4.10; 20 cases borax @ $3.75; 10 cases soap powder @ $7.50; 40 boxes laundry soap @ $6.25.

Received a check from T. B. Arthur for the balance of the bill of April 3, less discount.

Received a check from the Dowman Tea & Coffee Co. for the bill of April 3, less discount.

Paid the International Coffee Co. the balance due them to April 1.

Paid the Nippon Tea Co. the balance due them to April 1.

The Clark Grocery Co. return 100 lbs. oatmeal sold them April 8 @ 6¼c.

Bush & Kennedy return 5 cans lard sold them April 7 @ $17.50.

April 14. Sold to J. E. Charvat, 2/10 on %: 12 bbls. flour @ $11.75; 1,000 lbs. corn meal @ 2½c; 500 lbs. rye flour @ 3½c; 10 half chests Japan tea (75 lbs. each) @ 60c; 10 half chests Young Hyson tea (70 lbs. each) @ 70c.

Sold to J. W. Meyer, 2/10 on %: 10 cases apricots @ $6.37½; 25 cases yellow cling peaches @ $5.87½; 25 cases Hawaiian pineapple @ $5.75; 20 cases cherries @ $6; 200 lbs. Java and Mocha coffee @ 38c; 4 half chests (50 lbs. each) Oolong tea @ $1.10.

Sold to M. C. Weston, 2/10 on %: 500 lbs. oleomargarine @ 33c; 856 lbs. cheese @ 17c; 300 lbs. starch @ 8¼c; 25 packages borax @$3.75; 200 lbs. nuts @ 15c.

Received from the Kipton Grocery Co. their check for the balance of the bill sold them on April 4, less discount.

Received from J. E. Charvat a check for the balance of his account to April 1.

Petty cash book entries: paste and brush, 85c; carfare, 50c; pens, 75c.

April 15. Sold to Mach & Osborne, 2/10 on %: 10 pails herring @ $6.30; 20 pails mackerel @ $11.50; 40 pails salmon @ $6.78; 20 pails Gaffelbittar herring @ $6.95.

Sold to Bush & Kennedy, 2/10 on %: 10 cases ripe olives @ $8.38; 10 cases tomatoes @ $3.65; 10 cases peas @ $2.75; 10 cases pumpkin @ $2.50; 10 cases hominy @ $2.28; 20 cases corn @ $3.

Sold the Sweet Shoppe for net cash: 100 boxes chewing gum @ 73c; 50 boxes chocolate cherries @ 48c; 50 lbs. caramels @ 37c; 100 lbs.

marshmallows @ 23c; 300 lbs. stick candy @ 18c; 150 lbs. candied fruits @ 55c.

Sold to Fletcher Bros. Co., 2/10 on %: 100 jars apple butter @ 49c; 100 jars currant jelly @ 89c; 25 cases Hawaiian pineapple @ $5.75; 40 cases yellow cling peaches @ $5.87½; 50 cases cherries @ $6; 50 cases apricots @ $5.90.

Goods have been received and checked to the following invoices:

The Secale Milling Co., flour, cereals, meal, etc., 2/10, N/30, $1,875.50.

The International Coffee Co , 2/10 on %, $1,685.80.

The Nippon Tea Co., 2/10 on %, $2,283.85.

The Tonquin Mfg. Co., 2/10, N/30, extracts, spices, syrups, etc., $472.12.

The National Soap Works, 2/10 on %, laundry soap and starch, $487.25.

Received a check from Hart & Martin for the bill of April 5, in full. Received a check from Erner & McKean for the bill sold them April 5, less discount.

Received a check from Otten & Fredeker for balance to April 1.

Sent a check to the Tonquin Mfg. Co. for the bill received April 7, less 2% discount.

Received a check from the Fletcher Bros. Co., for bill sold April 6, less discount.

Sent a check to the National Soap Works for the balance of the bill received April 7, less 2%.

Made a check for the payroll to be distributed as follows: the office force, $127.50; the sales force, $191.50; delivery men, $75; warehousemen, $36.

Sent a check to the International Coffee Co. for our note made February 15 at 60 days.

Sent a check to the Andrews Woodenware Co. for the bill received on the 7th, less discount at 2%.

The Square Grocery returns a 50-lb. can of lard sold to them on the 13th @ 35c.

Write a letter to the Tonquin Mfg. Co., telling them that 1 case of extracts was so damaged in transit that 12 bottles were broken. Enclose with the letter a copy of the freight bill on which the railroad freight agent has made a note of the breakage. State also that the other bottles in the case are practically unsalable because the labels are stained by the contents of those which were broken. The damage was done to a case of 4-oz. bottles of lemon extract.

Paid freight bills to the N. Y. C. & St. L. R. R. by check, $76.15.

Paid $17.10 for gasoline.

The student should make a trial balance at this point, but no statements.

PART THREE

ACTUAL BOOKKEEPING

Transactions of the Union Grocery Company from April 17 to April 30

April 17. Sold to the Clark Grocery Co., 2/10 on %: 15 bags (125 lbs. each) Maracaibo coffee @ 21c; 15 bags (125 lbs. each) Rio coffee @ 16c; 1,200 lbs. Mocha and Java coffee @ 40c; 200 lbs. cocoa @ 30c; 200 lbs. chocolate @ 25c.

Sold to Hammer & Imhof, 2/10 on %: 500 lbs. nuts @ 15c; 20 cases asparagus @ $6.83; 50 cases pork and beans @ $5.47; 30 cases corn @ $3; 20 cases hominy @ $2.10.

Sold to Allen & Young, 2/10, N/30: 100 pails lake herring @ $1.72; 100 pails Alaska salmon @ $2.98; 100 pails mackerel @ $4.43; 100 pails cod tongues and sounds @ $2.24.

Mr. T. P. Wilson, one of our stockholders, has sold 8 shares of stock at 8½% premium to B. N. Baker.

April 18. Sold to E. J. Barnes, 2/10 on %: 25 cases Hawaiian pineapple @ $5.32; 20 cases white cherries @ $7.96; 10 cases prunes @ $4.95; 25 cases peaches @ $5.38; 10 cases apricots @ $5.84; 12 cases apple butter @ $4.67.

Sold to E. P. Gessler, 2/10 on %: 20 cases cherries @ $4.89; 20 cases Hawaiian pineapple @ $5.32; 20 cans lard @ $17.50; 20 boxes prunes @ $2.28; 20 boxes raisins @ $2.33; paper novelties, $24.80.

Sold to McIvor & Brady, 2/10 on %: 20 bbls. flour @ $11.75; 4 bbls. sugar (200 lbs. each) @ 8¼c; 50 sacks cornmeal @ $1.50; 50 sacks oatmeal @ $1.56¼; 50 sacks buckwheat flour @ $1.00; 50 sacks barley flour @ $1.25.

Sold to T. B. Arthur, 2/10 on %: 10 tubs butter @ $27.50; 15 cans lard @ $17.50; 500 lbs. cheese @ 17c; 10 cans shortening @ $13.75; 25 boxes oleomargarine @ $6.60.

Received a check from Mach & Osborne for bill of April 7, less 2%. Write them a letter calling their attention to the fact that this check did not arrive in time to come within the terms of discount and informing them that we have credited them with the face of the check.

Received a check from the Clark Grocery Co. for the bill sold them April 3.

Received a check from Hammer & Imhof for the bill of April 8, less discount.

Received a check from the J. P. Sanders Co. for the balance of their note of January 18 with interest from March 4.

Received a check from J. C. Amboy for his note of January 18.

Discounted at the bank Wolf & Dean's acceptance of March 22.

The following goods have been received and checked to the invoices:
The Clover-Leaf Dairy Co., butter and cheese, $482.12.
The Cape Cod Fisheries, sea foods in wood, $1,683.76.

April 19. Sold to T. B. Arthur, 2/10 on %: 250 lbs. cocoa @ 30c; 200 lbs. chocolate @ 25c; 25 cases extracts @ $4.80; 100 boxes laundry soap @ $6.25; 10 cases soap powder @ $7.50.

Sold to J. Y. Bayne, 2/10 on %: 10 bbls. sugar (200 lbs. each) @ 8¼c; 20 bbls. flour @ $11.75; 10 half chests Japan tea (75 lbs. each) @ 60c; 10 half chests English Breakfast tea (60 lbs. each) @ 63c.

Sold to Geo. H. Brown & Co., 2/10 on %: 200 lbs. mixed nuts @ 18c; 500 lbs. peanuts @ 14c; 50 cans peanut butter @ $3.15; 50 cans apple butter @ $2.10; 50 cases peaches @ $5.38.

The following goods have been received and checked to the invoices:
The National Soap Works, soap and soap powders, $2,873.50.
The American Sugar Co., $2,350.84.
The Secale Milling Co., $2,580.40.
The Nippon Tea Co., $3,486.52.
The International Coffee Co., $2,624.48.
The Forbes Chocolate Co., $1,034.25.

Received a check from Geo. H. Brown & Co. for the bill sold April 10, less discount.

Received a check from the Clark Grocery Co. for the balance of the bill sold to them April 8.

Received a check for the bill sold April 7, from Bush & Kennedy.

Paid our acceptance of March 20 by check.

April 20. Sold to Hart & Martin, 2/10 on %: 20 bbls. flour @ $11.75; 400 lbs. corn meal @ 2½c; 400 lbs. oatmeal @ 6¼c; 10 bbls. rye flour @ $9.25; 10 bags (125 lbs. each) Rio coffee @ 16c; 500 lbs. Mocha and Java coffee @ 35c.

Sold to the Kipton Grocery Co., 2/10 on %: 20 cases Hawaiian pineapple @ $5.28; 35 cases cherries @ $6.82; 40 cases peaches @ $5.88; 20 cases apricots @ $6.47; 25 cases pears @ $7.22.

Sold to Erner & McKean, 2/10 on %: 10 mats (75 lbs. each) Java coffee @ 40c; 5 bales (150 lbs. each) Mocha coffee @ 30c; 10 half chests (50 lbs. each) Oolong tea @ $1.10; 10 half chests (70 lbs. each) Young Hyson tea @ 70c.

Received a check from T. B. Arthur for bill sold April 10, less discount.

Received a check from J. Y. Bayne for bill sold April 10, less discount.

Bush & Kennedy return 1 case of tomatoes sold them April 15 for $3.65.

Mach & Osborne report that 2 pails of salmon sold them April 15 were leaking upon arrival and had to be sold at a sacrifice of $4. We allow them that amount of credit and notify them of the fact by letter.

April 20, 19--

Mr. E. P. Gessler

1025 North Front St.

in account with

THE UNION GROCERY COMPANY

Terms 2/10, N/30

19--						
April	1	Balance	85	50		
	3	Bill No. 624	93	--		
	7	Bill No. 643	473	89		
	18	Bill No. 670	671	20		
	5	Check			85	50
	7	Check			93	--
		Balance	1145	09		

FORM 91: Statement of Account

A letter is received from the Tonquin Mfg. Co., allowing $2.40 on the bill of goods received April 15 and enclosing 12 new labels to be pasted on the bottles of lemon extract stained in transit by breakage.

Statements of account. It is the custom of the Union Grocery Company to send statements of account to all customers whose accounts in the sales ledger do not balance. This statement is usually a copy of the debits and credits in the customer's ledger accounts, together with the dates, as shown in Form 91 just above. Sometimes, however, only the balance of the account is given. Since the Union Grocery Company prefers

the first method, the student should prepare the statements of all customers whose accounts in the sales ledger do not balance.

An account current is a record of the debit and credit items contained under the title with which these items are concerned. This is usually in the ledger or book of accounts. The statement of account is simply a transcript of the account current.

April 21. Sold to the Fletcher Bros. Co. 2/10 on %: 20 cases beans @ $2.10; 40 cases pork and beans @ $5.23; 25 cases lima beans @ $3.18; 30 cases sweet corn @ $2.95; 30 cases hominy @ $1.98; 20 cases succotash @ $3.

Sold to M. C. Weston, 2/10 on %: 10 bags (125 lbs. each) Maracaibo coffee @ 21c; 10 bales (150 lbs. each) Mocha coffee @ 30c; 10 half chests (60 lbs. each) E. B. tea @ 63c; 10 half chests (75 lbs. each) Japan tea @ 60c.

Sold to Otten & Fredeker, 2/10 on %: 5 bbls. (200 lbs. each) sugar @ 8¼c; 15 bbls. flour @ $11.75; 500 lbs. corn meal @ 2½c; 200 lbs. cocoa @ 30c; 500 lbs. chocolate @ 25c.

Received a check from M. B. Trostler & Co. for the balance due to April 1 and for the bill sold them April 11, less discount on the bill.

Received a check from McIvor & Brady for bill sold April 11, less discount.

Received a check from Otten & Fredeker for the bill sold April 11, less discount.

Received a check from E. P. Gessler for the bill sold April 7.

Received a check from E. J. Barnes for the bill sold April 6.

A letter from P. C. Carter informs us that he has been appointed receiver for Allen & Young. He asks us to send a statement of their account to him, showing the equated date on which their account is due.

The equated date and how to find it. It is sometimes desirable where the terms of payment are not carried out, or where an account is to be settled before all of it is due, to determine the date upon which the payment of all the items of an account would be just to both the debtor and the creditor. The basis upon which such an adjustment is made is the value of $1 for one day. On this basis $5 for 60 days is equal in the value of its service to $15 for 20 days.

If a customer buys a bill of goods amounting to $1,250, terms $250 in cash, and the remainder in two equal payments, half in 60 days and half in 90 days, what would be the date upon which

it would be just to both buyer and seller to pay the entire amount, in one sum, instead of according to the terms?

$250 \times 0 = 0$
$500 \times 60 = 30{,}000$
$500 \times 90 = 45{,}000$
$0 + 30{,}000 + 45{,}000 = 75{,}000$
$75{,}000 \div 1250 = 60$, the equated time.

The entire $1,250 should be paid 60 days from the date when the goods were purchased.

If, in the above example, the buyer had made the first payment of $250 in cash, the equated time would then be 75 days.

The rule for finding the equated time for the payment of several amounts may be stated as follows: Multiply each item by its time to run; the sum of the products thus obtained, divided by the entire amount of the debts, will equal the equated time.

When there are several dates. If the dates of the debts are different so that there is no definite starting point from which to figure, it may be necessary to establish what is called a focal date. This may be the date upon which the calculation is made, provided all the due dates fall after that day. If all the due dates do not fall after that day, the due date of the first bill may be taken as a focal date. The time between this focal date and the due date of each bill is multiplied by the face of the bill; the sums of all the products thus obtained divided by the sum of all the bills will give the equated time; this time added to the focal date will be the equated date of payment.

If for any reason it seems more desirable, the due date of the last item may be used as the focal date, in which case the equated time found by dividing must be subtracted from the focal date to find the equated date of payment.

From the above explanation the student should be able to comply with the request contained in Mr. Carter's letter.

April 22. Sold to M. B. Trostler & Co., 2/10 on %: 25 cases cherries @ $6.82; 35 cases pears @ $7.22; 30 cases peaches @ $5.88; 25 cases Hawaiian pineapple @ $5.28; 25 cases strawberries @ $6.18.

Sold to Murphy & Kilbane, 2/10 on %: 500 lbs. cocoa @ 30c; 250 lbs. chocolate @ 25c; 25 doz. brooms @ $7.50; 10 doz. polishing mops @ $10.75; 15 doz. cans oil polish @ $8.50.

Sold to Fortescue & Thier, 2/10 on %: 8 bags (125 lbs. each) Maracaibo coffee @ 21c; 500 lbs. Mocha and Java coffee @ 35c; 10 half chests (70 lbs. each) Y. H. tea @ 70c; 10 half chests (50 lbs. each) Oolong tea @ $1.10.

Received a check from Hart & Martin for the bill sold April 12, less the discount.

Received a check from the Kipton Grocery Co. for the bill sold them on April 12, less discount.

Received a check from Erner & McKean for the bill sold them on April 12, less discount.

Received a check from the Dowman Tea and Coffee Co. for the balance of their bill, less discount.

Received a check from the Square Grocery for the balance of the bill sold them April 13, less discount.

Received a check from Fortesque & Thier for the bill sold to them April 13, less discount.

Paid the Secale Milling Co. for bill received April 15, less 2% discount, by check.

Paid the International Coffee Co. for bill received April 15, less 2% discount, by check.

Paid the Nippon Tea Co. for bill received April 15, less 2% discount, by check.

Paid the Tonquin Mfg. Co. balance of bill received April 15, less 2% discount, by check.

Paid the National Soap Works for bill received April 15, less 2% discount, by check.

Made a check for the week's payroll, to be distributed as follows: office force, $127.50; sales force, $191.50; delivery men, $75; warehousemen, $36.

Received a check from the N. Y. C. & St. L. R. R. for $3.85 as rebate on freight bills paid April 15.

J. Y. Bayne returns 5 bbls. of flour sold to him April 19 @ $11.75.

Received a check from Mach & Osborne for the balance of the bill of April 7.

April 24. Sold to Mach & Osborne, 2/10 on %: 50 boxes laundry soap @ $6.25; 40 boxes toilet soap @ $3.75; 25 cases soap powder @ $7.50; 10 boxes starch @ $4.10.

Sold to Bush & Kennedy, 2/10 on %: 25 bbls. flour @ $11.75; 10 tubs butter @ $27.50; 10 cans lard @ $17.50; 12 boxes Muscatel raisins @ $2.33.

Sold to the Dowman Tea & Coffee Co. 2/10 on %: a duplicate of the order of April 13.

Received a check from the Sweet Shoppe in full of account.

Received a check from M. C. Weston for bill sold to him April 14, less 2% discount.

Received a check from J. W. Meyer for bill sold to him April 14, less 2% discount.

Received a check from J. E. Charvat for bill sold to him April 14, less 2% discount.

Goods have been received and checked to the following invoices:

The Forbes Chocolate Co., $2,146.80.
The International Coffee Co., $3,480.10.
The Nippon Tea Co., $1,686.48.
The Secale Milling Co., $3,281.10.
The Cape Cod Fisheries, $2,246.80.

Petty cash book entries: carfare, 80c; rubber bands, 35c; messenger service, 90c; postage, 96c.

April 25. Sold to the Clark Grocery Co. 2/10 on %: 40 cases pork and beans @ $5.13; 50 cases lima beans @ $3.87½; 25 cases stringless beans @ $5.67; 50 cases sweet corn @ $2.50; 50 cases hominy @ $1.98.

Sold to Hammer & Imhof, 2/10 on %: 50 pails herring @ $1.52; 100 pails salmon @ $2.38; 50 pails mackerel @ $4.28; 20 boxes laundry soap @ $6.25.

Sold to the Dowman Tea & Coffee Co., 2/10 on %: 4 bags (125 lbs. each) Maracaibo coffee @ 21c; 4 bales (150 lbs. each) Mocha coffee @ 30c; 8 mats (75 lbs. each) Java coffee @ 40c; 4 half chests (75 lbs. each) Japan tea @ 60c; 5 half chests (70 lbs. each) Young Hyson tea @ 70c; 4 half chests (50 lbs. each) Oolong tea @ $1.10.

Received an order for candy from the Sweet Shoppe which we decline by letter, explaining that we have closed out our stock.

Received a check from Mach & Osborne for bill sold to them April 15, less 2% discount.

Received a check from Bush & Kennedy for the balance of bill sold to them April 15, less 2% discount.

Received a check from the Fletcher Bros. Co. for the bill sold to them April 15, less 2% discount.

Paid our note of Jan. 25 at the bank by check.

April 26. Sold to the Square Grocery, 2/10 on %: 10 cases sweet corn @ $2.80; 10 cases hominy @ $1.98; 10 cases lima beans @ $3.24; 10 cases succotash @ $2.89; 10 cases stringless green beans @ $5.55; 25 cases pork and beans @ $5.27; 20 cases asparagus @ $6.88; 15 cases red raspberries @ $6.12; 20 cases pears @ $7.32; 20 cases peaches @ $5.47.

Sold to J. E. Charvat, 2/10 on %: 6 bags (125 lbs. each) Maracaibo coffee @ 21c; 6 bags (125 lbs. each) Rio coffee @ 16c; 5 bales (150 lbs. each) Mocha coffee @ 30c; 8 mats (75 lbs. each) Java coffee @ 40c; 500 lbs. cocoa @ 30c; 408 lbs. chocolate @ 25c.

Mach & Osborne return 2 cans of lard sold them April 24 @ $17.50.

Petty cash book entries: ink, 90c; messenger service, 65c; postage due, 12c.

Paid for an advertisement in the Daily News, $21.50.

Sent a check to the Clover Leaf Dairy Co. for bill received April 18.

Sent a check to the Cape Cod Fisheries for the bill received April 18, less 2% discount.

April 27. Sold to T. B. Arthur, 2/10 on %: 10 doz. shoe brushes @ $1.56 a doz.; 100 cartons black shoe-polish @ 72c; 50 cartons tan shoe polish @ 78c; 400 picnic lunch sets @ 8c; 100 shoe-polishing outfits @ 59c; 1,000 lbs. poultry feed @ 3¼c; 500 lbs. chick feed @ 3½c.

Sold to Mach & Osborne, 2/10 on %: 20 cases tissue towels @ $5.29; 300 brooms @ 75c; 10 cases stove polish @ $7.75; 200 dustless mops @ 87c; 500 quart cans oil polish @ 67c.

Sold to Bush & Kennedy, 2/10 on %: 5 cartons tooth picks @ 73c; 25 boxes Sapolio @ $2.59; 50 boxes starch @ $3.13; 10 cases lye @ $5.05; 25 boxes Ivory soap @ $8.13; 12 doz. packages borax @ $1.08 a doz.; 50 cartons scouring powder @ 47c.

Sold to J. W. Meyer, 2/10 on %: 50 pails lake herring @ $4.42; 50 pails salmon @ $6.37; 50 pails mackerel @ $5.54.

Received a check from the Clark Grocery Co. for the bill sold them April 17, less 2% discount.

Received a check from Hammer & Imhof for the bill sold them April 17, less 2% discount.

Sent a check to the American Sugar Co. for the bill received April 19, less 2% discount.

Sent a check to the Secale Milling Co. for the bill received April 19, less 2% discount.

Sent a check to the Forbes Chocolate Co. for the bill received April 19, less 2% discount.

Sent a check to the International Coffee Co. for the bill received April 19, less 2% discount.

Drew a draft at 3 days' sight on Erner & McKean in favor of the Nippon Tea Co. for $1,000.

Sent a check to the Nippon Tea Co. for the balance of the bill received April 19 less 2% discount on the entire bill.

Sent a check to the National Soap Works for the bill received April 19, less 2% discount.

A letter from the Fletcher Bros. Co. informs us that instead of sending them 40 cases of pork and beans and 25 cases of lima beans, as billed, we reversed the numbers in shipping. Write them a letter allowing the difference.

In an accident at a railroad crossing our truck No. 2 was completely destroyed. As we had only fire insurance, it is a total loss. We have sold the wreckage to a junk dealer for $85.

Purchased a new truck, No. 4, from the General Motor Co., for $2,985.

April 28. Sold to J. Y. Bayne, 2/10 on %: 30 cases pork and beans @ $5.23; 25 cases lima beans @ $3.87; 25 cases stringless green beans @ $5.72; 20 cases wax beans @ $3.12; 25 cases sweet corn @ $2.67; 40 cases hominy @ $1.98; 40 cases succotash @ $2.98.

Sold to Geo. H. Brown & Co., 2/10 on %: 50 pails herring @ $1.52; 100 pails salmon @ $2.35; 50 pails mackerel @ $4.24; 1,000 lbs. poultry feed @ 3¼c; 1,000 lbs. chick feed at 3½c.

Sold to Hart & Martin, 2/10 on %: 50 shoe-polishing outfits @ 59c; 100 cartons black shoe-polish @ 72c; 100 cartons tan shoe-polish @ 78c; 250 brooms @ 75c; 100 pails mackerel @ $4.24.

Received checks from T. B. Arthur, E. J. Barnes, E. P. Gessler, and McIvor & Brady for bills sold them April 18, less 2% discount in each case.

Petty cash book entries: messenger service, 45c; postage, 66c; carfare, 50c.

April 29. Sold to the Kipton Grocery Co., 2/10 on %: 10 boxes laundry soap @ $6.25; 20 boxes toilet soap @ $3.75; 10 boxes starch @ $4.10; 20 cases Lux soap flakes @ $1.30; 10 boxes oleomargarine @ $6.60.

Sold to Erner & McKean, 2/10 on %: 10 bbls. sugar (2,000 lbs.), @ 8¼c; 20 pails herring @ $2.18; 40 pails salmon @ $6.37.

Received checks from T. B. Arthur, J. Y. Bayne, Geo. H. Brown & Co., Hart & Martin, and the Kipton Grocery Co., for bills sold them April 19 and 20, less 2% discount in each case.

Received from Erner & McKean a check for the balance of the bill sold them April 20, less 2% discount on the entire bill.

Made a check for the payroll, to be distributed as follows: office force, $127.50; sales force, $191.50; delivery men, $75; warehousemen, $36.

Post entries, take a trial balance, and then make a trading statement, a loss and gain statement, and a resource and liability statement.

To find the inventories at this point, use the following information, which is supplied to save the time required to classify the sales for the month.

Sales for the month: sugar, $2,062.50; flour, cereals, meal, and so forth, $4,662.28; teas, coffees, cocoa, and chocolate, $17,922.08; canned goods, $13,263.37; candy, $415.23; nuts and dried fruits, $682.91; syrups, extracts, spices, condiments, and so forth, $535.25; soaps, powders, starch, and so forth, $3,678.06; sea foods in wood, $5,040.60; butter, cheese, lard, and substitutes, $5,354.50; miscellaneous, $2,559.90. The percentage of gain on the selling price in each case is: sugar, 15; flour, cereals, meal, and so forth, 12½; teas, coffees, cocoa, and chocolate, 16; canned goods, 14; candy, 21.76; nuts and dried fruits, 20; syrups, extracts, spices, condiments, and so forth, 10; soaps, powders, starch, and so forth, 12½; sea foods in wood, 16⅔; butter, cheese, lard, and substitutes, 14; miscellaneous items, 20.

As explained in the hardware business in Section IV, the present inventory may be figured by taking the inventory at the beginning of the period and adding to it the purchases, less the purchases returned, and subtracting the cost of goods sold plus the cost of goods returned. Returned purchases and sales will be found in the cash journal.

In calculating the depreciation on the delivery equipment since January 1, allow an additional 10% on truck No. 1, and the same additional rate on truck No. 3. No. 4 is so nearly new that no depreciation will be figured on it. An allowance of 5% should be made on Office Furniture and Equipment, and on Store Supplies and Fixtures. A proper portion of the insurance should be charged to Insurance Expense Current.

At a meeting of the board of directors it was decided to declare a dividend of 2½%, payable immediately. The rest of the net gain for the month is to be divided equally between the surplus fund and undivided profits accounts in the ledger.

The student should write the checks for the dividend to each stockholder and make the necessary entries in the proper books.

STANDARD QUESTIONS

Transactions of the Union Grocery Company

1. What is an account current?
2. What is a statement of account? What does it show?
3. What is meant by equation of payments?
4. What is the basis of equation?
5. What is the rule for finding the equated time?
6. What is a focal date?
7. How is the equated date found?
8. How do you find present inventory?
9. At the rate of dividend declared for April, what would be the rate of income on this stock per year?
10. At this rate of dividend, what would be the probable market value of the stock of the Union Grocery Company?

SECTION VI

DEPARTMENT STORE ACCOUNTS

PART ONE

THE department store, which is a development of comparatively recent origin, first started when several small businesses occupied rooms in the same building. These rooms were arranged along a narrow street, covered by a roof and often called an arcade. Each store was under its own management and ownership; the arrangement was only a kind of business federation for economy and convenience.

How departments were introduced. Later, stores began to rent space to owners of an entirely distinct kind of goods. A dry goods store, for instance, would rent space to the owners of a stock of jewelry; this became the jewelry department. Another space would be rented to a leather goods firm, and this would become the leather goods department.

The results of this plan were often unsatisfactory since there was no uniformity in the methods by which the various departments were conducted; it was difficult to locate responsibility, and to apportion common expense fairly.

The growth of department stores. In the end it became necessary for the owners of the main store to buy the subsidiary departments or to demand the space and put in similar departments of their own. From this time department stores grew rapidly until now it is possible to purchase in them almost anything which is produced to satisfy human needs.

Each department is a unit in itself; it has a manager who is given authority over it and is held responsible for the success of his department; and it stands or falls to a great extent upon its own accomplishment. Each department is debited for the cost of goods purchased for it and credited with returns from goods

sold. To it is charged also its share of such general expenses as insurance, delivery, light, heat, interest on investment, advertising, rent, and the salaries of such employees as render service in all departments, including floormen, engineers, elevator operators, and so on.

How the buying is done. While each department is a unit, all the departments are closely united under one general management. All purchases are made by the store's buyers. In some organizations these buyers are the heads of the departments. In some the buyers are subject to the purchasing agent, who determines the relative amount of merchandise which shall be added to the individual departments; in others the extent of the buying is almost without limit, the only requirement of the department being that it sell the goods after it has bought them.

In certain peculiar departments, like a restaurant, the buying is usually left in the hands of the steward, who buys from day to day, securing invoices with the purchases; these are handed to the manager of the department for his o. k., after which they are reported to the purchasing department.

Some stores prepare the purchase order form in triplicate. The original goes to the manufacturing house from which the purchase is made, one carbon copy remains in the hands of the buyer, and the other carbon copy goes to the receiving department. The manufacturer may be required to place certain labels on the goods and to show an order number on the invoice; the order number appears also on the packages, boxes, cases, bales, or barrels constituting the shipment.

Handling incoming goods. Incoming goods are listed on an invoice register which contains columns for date received, name, invoice number, date paid, amount, and department for which purchased. Upon arrival of the goods in the receiving department, they are checked with the invoice by checkers, managers of departments, or buyers. The price tags are placed on the articles by this department also, after which they are released for distribution to the departments or to the stock room from which the departments are supplied.

Incoming goods are debited to the department and credited to the proper account in the purchase ledger, while returned pur-

chases are debited to the proper account in the purchase ledger and credited to the department returning them, both sides of these entries being summarized in controlling accounts which appear in the general ledger.

Handling incoming invoices. In the bookkeeping work of the People's Department Store, however, the common practice of many stores will be observed: no purchase ledger will be kept, because there will be no account kept with those from whom goods are purchased. All incoming invoices will be filed in a tickler file like that shown on page 163 and paid within the time allowed for discount.

A tickler file has 31 folders for the current month and usually 11 others for the remaining months of the year. All bills falling due on any day of the current month are found in alphabetical order in the folder of that day. Each morning the file clerk removes them from the folder.

The stock and invoice analysis sheet. The accumulation of goods that are out of date or that cannot be sold for any reason, or that must be marked far below the usual selling price in order to push them out, may mean serious loss. It is therefore necessary to keep close watch of the stock in each department. This can be done by means of a stock and invoice analysis sheet such as shown in Form 92.

This sheet is wide enough to include 31 days so that an entire month's record can be kept on it, but if the number of departments is large, more than one sheet is required to include all departments. Each day the amount of stock remaining in a department is entered on the line following Brought Forward. Under this is entered the value of goods brought into the department from the purchasing department on that date. From the sum of these are subtracted purchase deductions, including goods we return and all allowances and rebates made to us. From this difference again are subtracted the sales for the day, and to the difference thus obtained are added returned sales of goods by our customers; all these entries being made, of course, at cost prices. This final result is the net stock on hand at the close of the day and this is the amount which is to be forwarded to the following day's record.

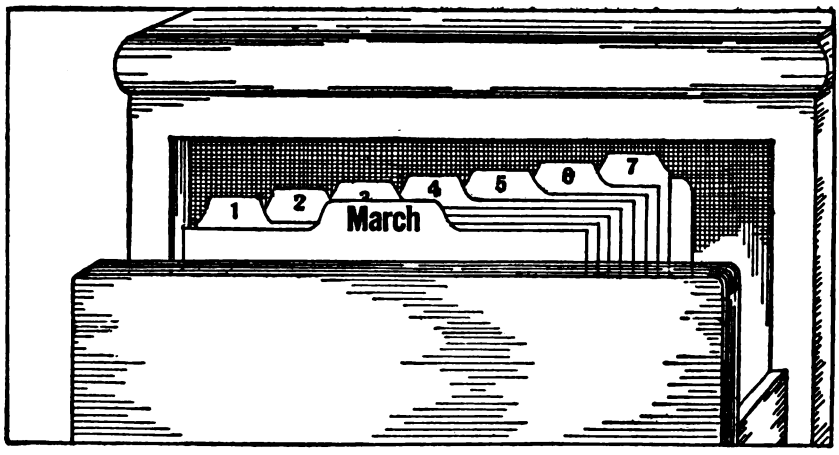
Verifying the stock on hand. In this manner the amount of stock on hand in any department is always known. Some stores verify this record once or twice a year by taking the general inventory; others take inventory of one department at a time, thus distributing the task throughout the year. This analysis sheet can be made still more effective by making the entries for the purchase deductions and for the sales in red.

Each department has enough salesmen to take care of the trade. If one department is unusually crowded with customers, salesmen from other departments are sometimes shifted to it temporarily. The departments may be designated by letter if there are not more than 26; otherwise they are numbered. The salesmen also are numbered, and a salesman's number frequently indicates the department in which he works. For example, 2703 would indicate salesman No. 3 in department No. 27.

Different kinds of sales. Sales are designated as cash, charge, c. o. d., will call, or some combination of these, as, part cash and part c. o. d., and so on. In each case the salesman must fill out a sales check from his sales book, which is furnished by the store. A careful study of the forms of sales checks shown in the insert will enable the student to understand thoroughly the meaning and purpose of each part.

The slip of paper inside the front cover of the sales book, on which the amount of each sale is entered as it is made, is called a tally, a summary, or an index. It is ruled in double columns numbered from 1 to 50, to correspond to the sales check numbers which run also from 1 to 50. Salesmen are held rigidly to account for each check. If one is damaged so that it cannot be used, it is taken to the floorman who marks it "Void," and initials it, and it is turned in with the rest of the sales slips at night. The cash sales are entered on one side of the numbers on the tally card and all other sales on the other side; of course, each number can have only one sale, because there is only one check for each number.

Some stores use two forms, or two colors, of sales checks, one for cash sales and the other for sales other than cash. This is done to make the sorting simpler, because all the cash sales checks go to the cashier's office in order to prove cash at the close of the day, and all the others go to the bookkeeping department for billing and entry.



This is one commonly used tickler file, or follow-up, as it is usually called. A manila folder is placed behind each numbered guide. In each folder are placed the invoices due on that day. Every morning the invoices are removed from that day's folder.

		Days of the Month						
		1	2	3	4	5	6	7
A	Brought forward							
+	Purchases							
-	*Purchase deductions*							
-	*Sales*							
+	Returned sales							
=	Net stock							
B	Brought forward							
+	Purchases							
-	*Purchase deductions*							
-	*Sales*							
+	Returned sales							
=	Net stock							
C	Brought forward							
+	Purchases							
-	*Purchase deductions*							
-	*Sales*							
+	Returned sales							
=	Net stock							

FORM 92: Opposite "Brought forward" is entered the amount of stock on hand at the end of the previous day. After purchases and returned sales are added and purchase deductions and sales subtracted, the result is net stock on hand.

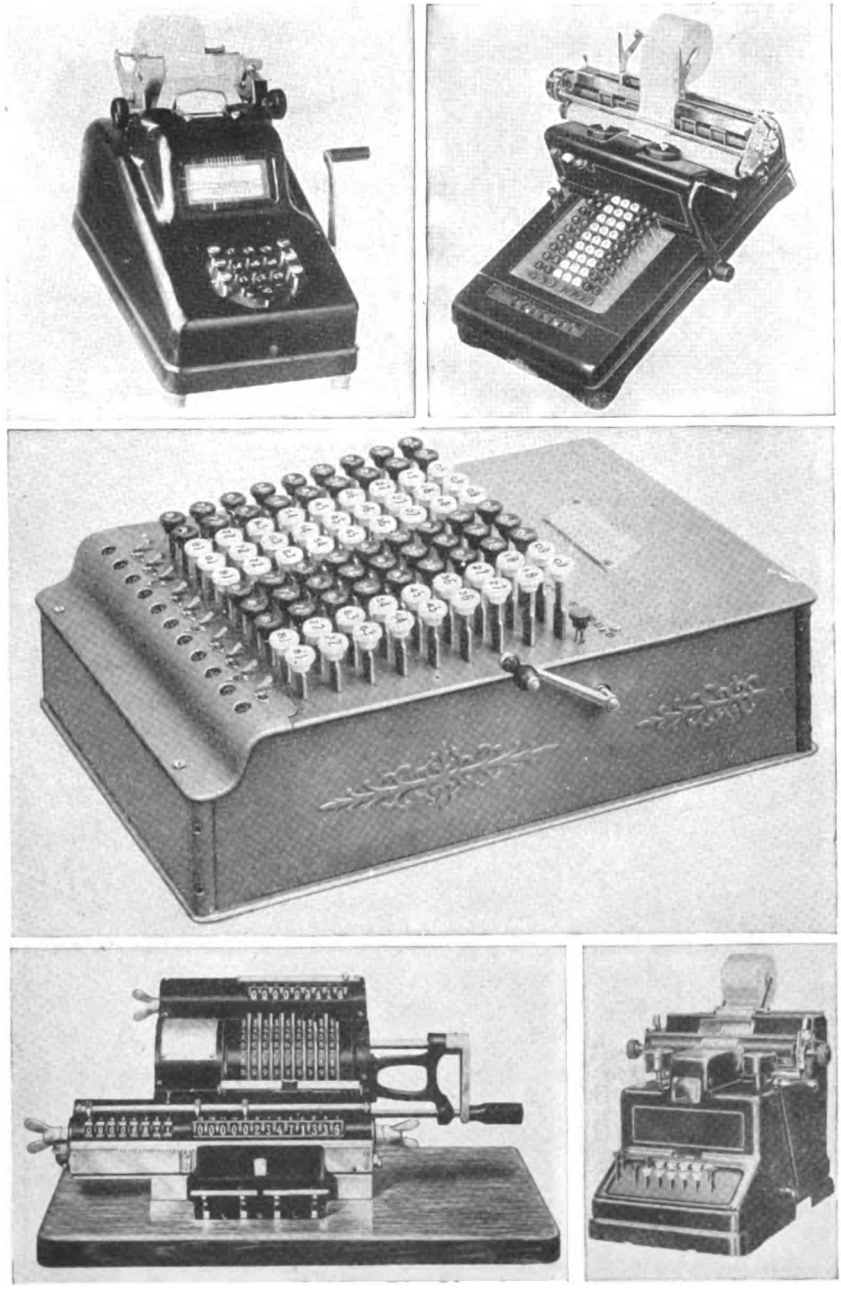
What happens to the tallies. Several tallies may be used if the sales for the day are unusually numerous, but at the close of the day they are fastened together, and a complete report of all of them made on the back of the last one. The tally card is frequently made in the form of an envelop, as shown in the insert, and at the close of the day the tissue sheets for charge sales are placed in this envelop before it is turned in and sent to the bookkeeping department. This minimizes the danger of losing or confusing the sales sheets.

How office machinery is used. For summarizing the cash sales, for finding the total of each salesman's sales, and for rapidity of calculation in many ways, many of the larger stores use labor-saving office machinery. One of the machines in most general use for these purposes is the adding machine. This is probably the most rapid of all calculating machines, and bookkeepers who have used it regard it as almost indispensable in work requiring the quick calculation of many long columns of figures. Adding machines may be listing or non-listing according to the requirements of the work.

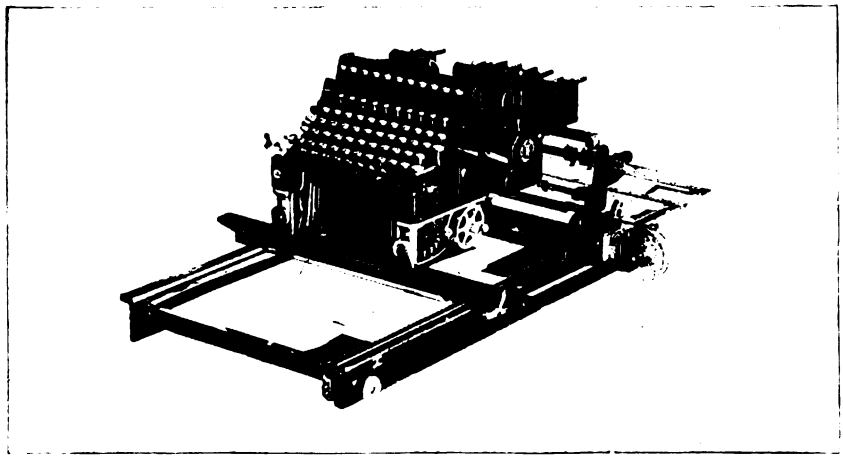
After the charge checks have been separated from the cash checks and both kinds have been totaled by the adding machine operators, the charge checks are sorted according to the sales ledger accounts. In a large store there may be so many accounts with customers that those beginning with a single letter of the alphabet will require many ledgers.

If the posting to these customers' ledgers is done in the ordinary way, by taking the debits from the sales record and the credits from the incoming cash book, it is necessary to make four distinct entries of each transaction, one by the salesman when the goods are sold, one by the entry clerk from the sales check to the sales record, one by the posting clerk from the sales record to the bound ledger, and one by the billing clerk in sending out the statement at the end of the month. A credit to the customer passes through a similar process.

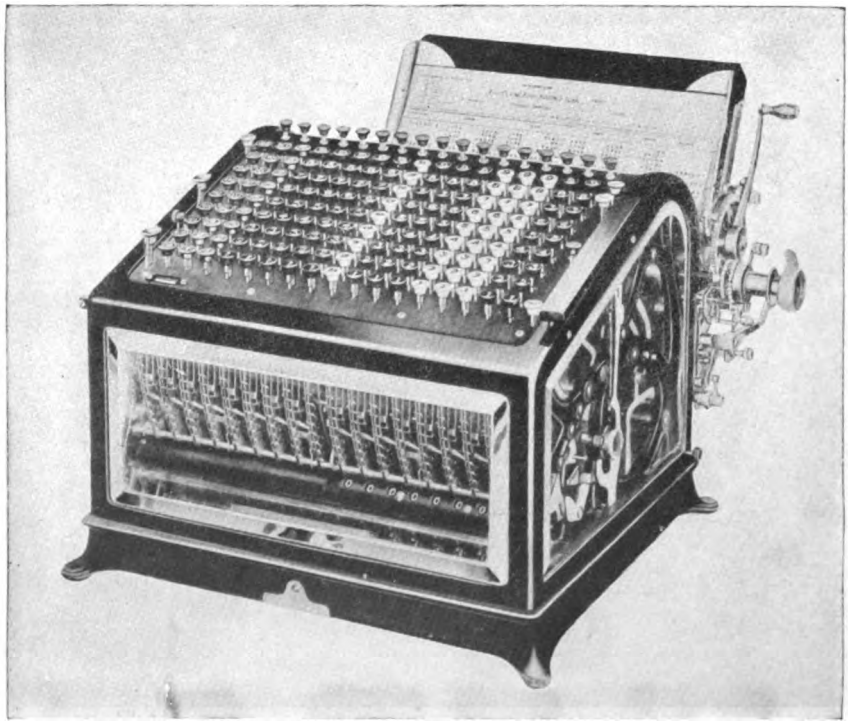
If the bookkeeping is done by the proper machines, however, and kept in the form of loose leaves, much labor may be saved. The ledger leaves fit into covers and are held in place by means of metal binding posts. The monthly statements to customers are punched to fit the same posts.



Here are some of the various types of adding and calculating machines which help to speed up and guarantee the accuracy of the work of the accounting department. On several of them it is possible to add, subtract, divide, and multiply. Those which show the roll of paper at the top are listing machines, the others non-listing.



Most large concerns do practically all their bookkeeping by machinery. They find that bookkeeping machines save time and expense—and the work is likely to be much more accurate. Notice how the sheets lie flat on the bed of the machine.



This is another kind of bookkeeping machine, slightly different from the one shown above. All the necessary records are made at one operation, which saves of course considerable labor. How the machines work is explained more fully on page 167.

How the bookkeeping machine works. The bookkeeping machine is so built that the sheets upon which writing is done lie flat on the bed of the machine. At the bottom is placed a sheet for the complete record of charge sales, or what would become the details of accounts receivable; a sheet of carbon paper covers this, face downward. Above this carbon sheet is placed the ledger page of the account concerned in the sale and on it another sheet of carbon, face downward. On top of all these is placed the monthly statement of the charge account.

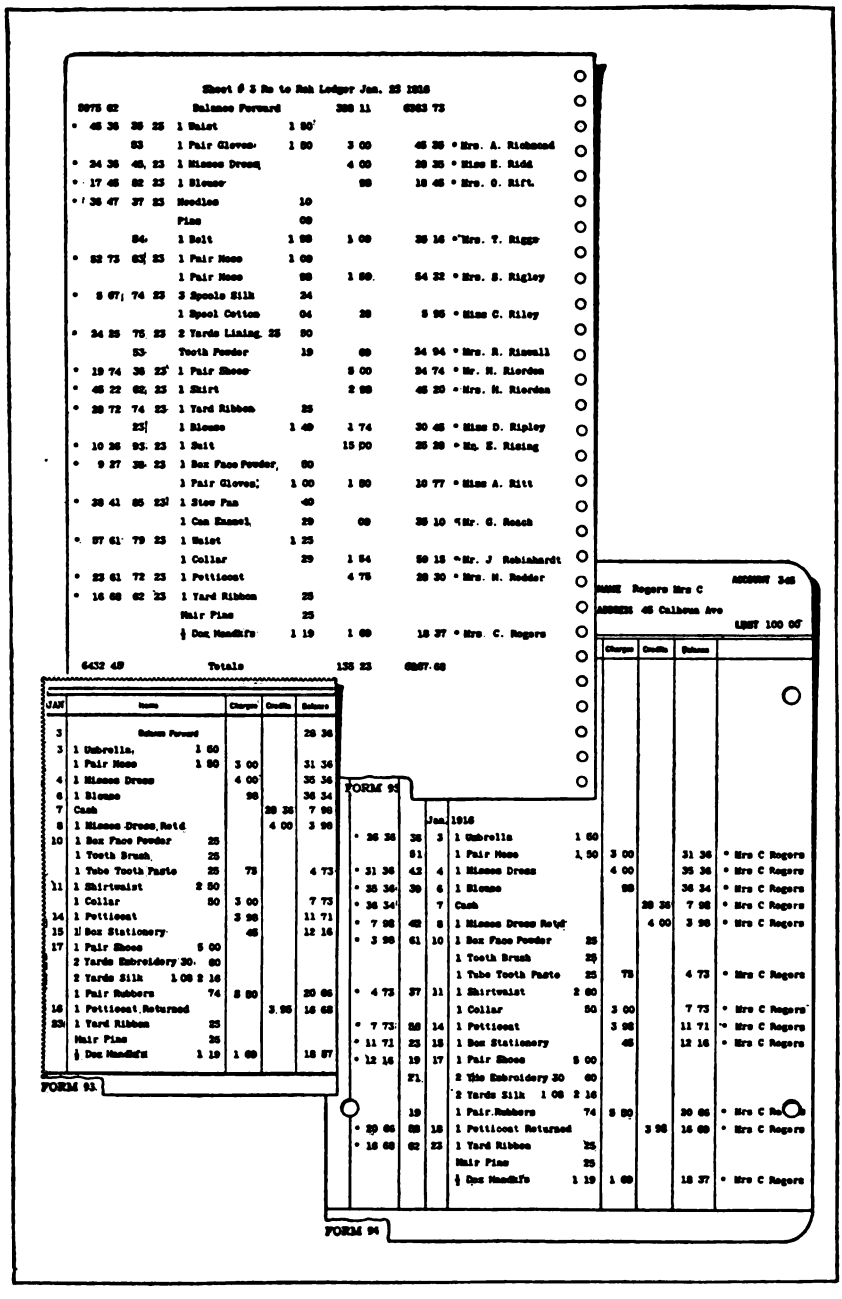
All of the papers are then clamped in position. By writing on the top sheet (which is the statement) and carrying the figures to the proper columns, one operation will make the entries in three places—in the monthly statement showing the dates of purchases, items bought, amount of charges, credits for payments, and balance due; at the same time it will enter in the ledger the old balance, the date of the transaction, the items purchased, prices, amount of charges, credits for payments, and the balance, whether debit or credit; it will also enter on the charge sales record the date, items sold, prices, amount of sales, and the name of the account concerned in the sale.

The "statistical" machine. Where statistical information is desired from the accounts or bills, the tabulating machine saves much time and labor. It consists of three parts. The first is the recording machine, called the key punch, operated by means of a keyboard which resembles that of a typewriter; a card placed under the punches can be perforated in an almost endless number of combinations.

These cards are $3\frac{1}{4}$x$7\frac{3}{8}$ inches in size. The figures on them are arranged in horizontal rows and vertical columns, different sections of the card being ruled off in "fields," as shown in the illustration on page 169.

In this card there are 17 fields, representing the day, month, year, ledger, bill number, sales office or territory, salesman, state, town, customer, commission, account, quantity of goods sold, unit of sale (whether sold by the bushel, dozen, quart, piece, pound or otherwise), freight or commission, amount of the sale, and the number of the operator who made the record on the card.

The invoice from which the card was made is also shown in the illustration on page 169.



FORMS 93, 94, 95: Forms 93 and 94, the January statement, which goes to the customer, and the ledger account, are made in one operation by the bookkeeping machine. Form 95 is the charge sales record for January 23. The last three items are identical with the last three in the other two forms, and they are made in the same operation.

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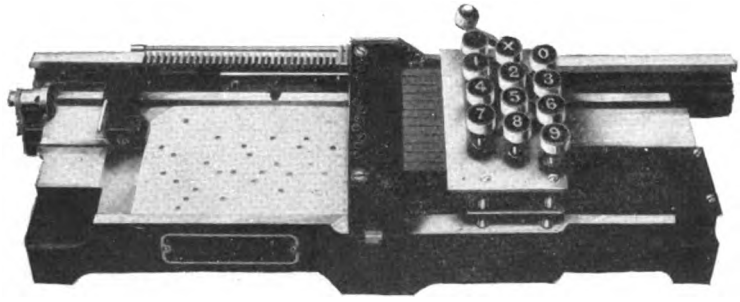
WILLARD AND WILLARD
BOSTON, MASS.

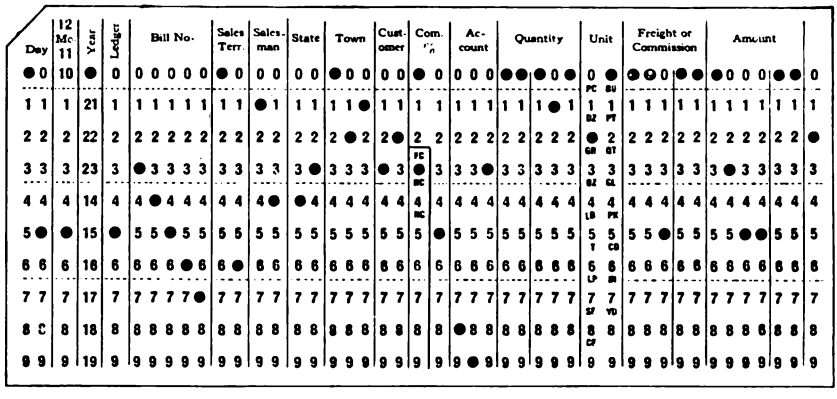
32
A. A. HARGIS AND COMPANY,
SAN FRANCISCO, CALIF.

Date May 5th, 1920.
Ledger 5
Bill No. 34,567
Sales office 6
Salesman 14

Shipped by
Freight

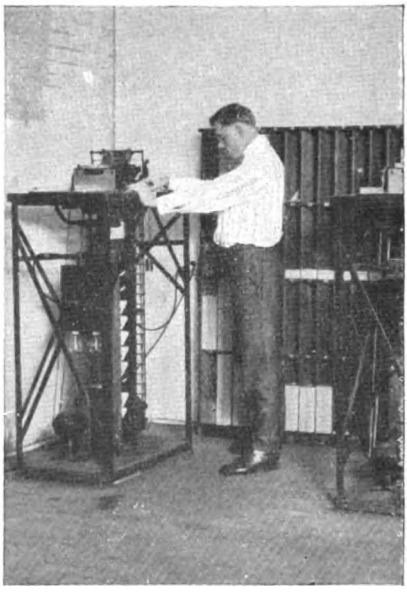
Quantity	Description			
10	Dozen quartered oak chairs No. 893 @ $36.00 doz.	360.	00	
	Less freight 2000 # @ .25	5	00	$355. 00
	P R. R. Car 345,679			
	To James Wood and Co..			
	Detroit, Mich.			
	21 43			





The card at the bottom of the page has been punched by the key punch in the center. The perforations, shown by the black dots, represent the information contained in the invoice at the top of the page. The cards are then sorted by the sorter, and the statistics tabulated by the tabulating machine. Thus valuable information is gathered.

By using machinery these clerks are able to accomplish as much as 40 or 50 clerks could accomplish without using machines.



These sorting machines sort the cards after they have been punched by the key punch, which is shown on page 169.

The statistical machine in the foreground handles 250 cards a minute, and an inexperienced girl can easily run it. This is an indication of how much time can be saved by the use of machinery in the bookkeeping department. And time is money.

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Each item of information on the card is designated by a number, and code numbers are assigned to such items as states, towns, salesmen, and so on. When these are complete the cards are ready for use.

The machine which separates these cards according to the data recorded is called the sorter. As the cards are fed into this machine, small electric brushes make contacts through the holes previously punched and each different combination of contacts shunts the card into a corresponding pocket in the lower part of the machine. Suppose, for example, that we desired to know just how much had been sold by each salesman during the past six months. The sorting machine would separate into packs the cards representing the different salesmen, at the rate of about 250 cards a minute.

When the cards of the salesmen are properly sorted, they are placed in the tabulator, where at one process there may be shown on the different counters (the illustration shows five) the salesman's commission for the entire time, the total amount of goods sold, the total freight on these goods, and the total amount of his sales for the given time. This is accomplished at the rate of about 150 cards a minute.

Keeping tab on salesmen. Practically all stores keep records of their salesmen, showing the amount of sales, commission, salary paid, and other items of information, in order to determine how much each salesman sells, compared with what he costs. This record is in the hands of the superintendent, and is a factor in determining the salesman's prospects for promotion and increased compensation.

Handling charge accounts. In opening a charge account, the new customer fills out an application giving his name, residence, billing address, occupation, business connection, ownership of property, bank references, the names of others who are to be allowed to buy on the account, telephone number, and other similar items of information. On this application are placed also the commercial agency rating of the applicant if one is to be found, or the rating given by a local merchants' association, and, in addition, the limit which has been placed by the credit man upon the account.

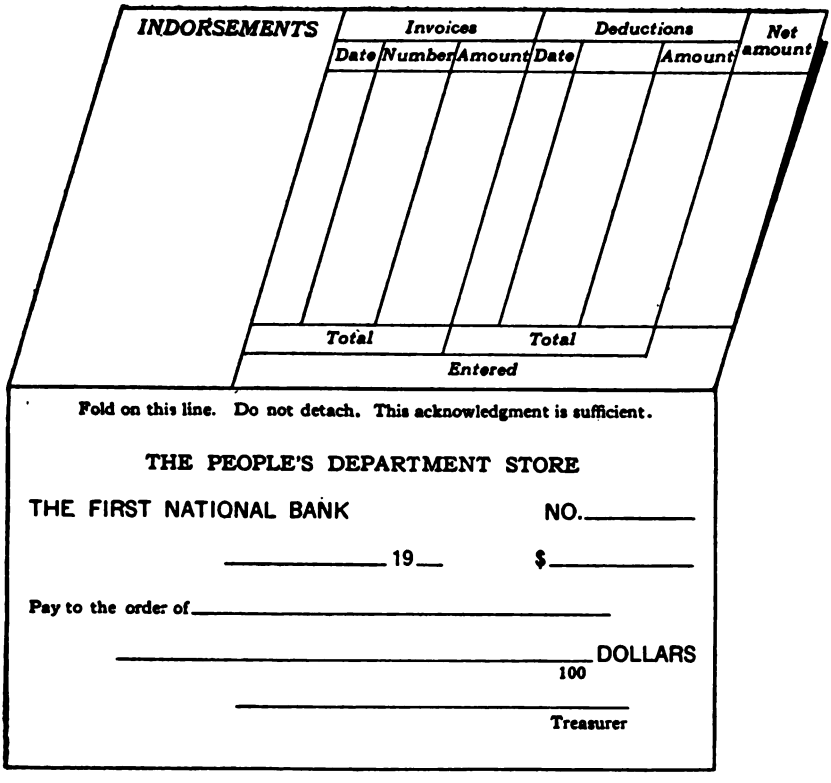
To prevent confusion of accounts, stores frequently provide charge customers with a card or coin on which the number of the account is stamped. Those entitled to buy on the account must present this card or coin when making a purchase on account in order to get prompt delivery.

Out stations. In addition to the delivery of goods from the store by trucks and special delivery wagons and automobiles, frequently there are stations established in conveniently located places in distant parts of the store's territory. These "out stations" as they are called are designated by number or by letter; each is in charge of a superintendent, and the expenses of each are cared for by an imprest fund similar to that for petty cash.

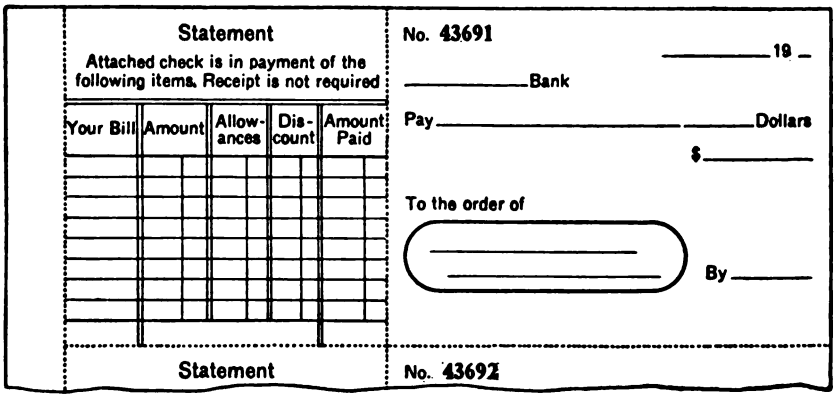
Caring for mail-order business. The development of the mail-order business in exclusively mail-order houses has so demonstrated the practicability of this process that many department stores have added mail-order departments. Orders from mail customers are first recorded in an order book. The original order is then divided up into as many parts as necessary and the parts sent to the departments from which they are to be filled. The goods are assembled in the shipping department, checked to the order book, and shipped. No accounts with customers are necessary in the mail-order department, because cash is required with each order. Some stores place the buying of goods ordered by mail in the hands of store buyers who make the selections for the customers as they would if purchasing for themselves, but when the business done by the mail-order department becomes very extensive this is apt to be impracticable.

A voucher check is one which shows the items of the account covered by the check. This makes it possible for the recipient to compare the check directly with his own account. The indorsement of the check is a sufficient acknowledgment of payment. There are various forms of voucher checks, two styles of which are shown in Forms 96 and 97 on page 173.

Employees' records. A card is usually provided for each employee, giving his name, number, and department, and on this card is kept the record of his work for a week, a month, or sometimes three months. This record may be made by a time-clock, which records the exact hour and minute at which the employee



FORM 96: This voucher check is about double the usual size of checks and is to be folded lengthwise. It is frequently made in duplicate or triplicate; the original is sent to the creditor and the second and third copies kept on file for reference.



FORM 97: And here is another voucher check, somewhat different in form, perhaps more convenient in size. Before cashing the check the one to whom it is made out tears it off on the perforated line between the statement and the check proper.

No. _____ Department _____

Name _____

		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
A. M.	IN						
	OUT						
P. M.	IN						
	OUT						
Overtime							
Total time							

Total time _____

Rate per hour _____

Amount due _____

_____

Timekeeper

FORM 98: This is the form of time card which one concern uses. It tells just when each employee begins and stops working. The total number of hours he puts in, multiplied by the rate he is paid per hour, gives the total amount due on Saturday.

Name of employee	No.	Dept.	Time	Over-time	Total time	Rate per hr.	Com-mission	Amount due	Signature of employee

FORM 99: And this is the form which the same concern uses for making up the payroll. When payments are made by check it is unnecessary to require the signature of the employee, because the signature on the check is sufficient receipt. The cards provide in addition some very useful information when considering employees for advancement.

enters or leaves. The payroll, made up from these time cards, shows the number of hours each employee has served, the rate of pay by the hour, and the total amount due. Frequently there is provided a space in which the employee signs his name to indicate that he has received his pay for the period shown on the card.

Form 98 on page 174 shows one form of time card, and Form 99 shows the payroll sheet used by the same concern.

STANDARD QUESTIONS

Department stores

1. Trace briefly the history of the department store.
2. How does the department store today differ from the old plan?
3. Who does the buying for the departments?
4. What forms are used in making purchases?
5. How are goods handled upon arrival?
6. How are incoming invoices cared for?
7. Describe the purchase ledger of the People's Department Store.
8. What plan is used as a means of keeping track of stock?
9. How may the record of stock be verified?
10. How are the store's departments and salesmen designated?
11. How many kinds of sales checks are there? Describe them.
12. What is the tally, summary, or index? Describe it.
13. What must you remember in filling out sales checks?
14. Why are different colors of sales checks sometimes used?
15. What is done with the tally at the close of the day?
16. What saving is accomplished by the use of bookkeeping machines?
17. How is this saving made possible?
18. How are tabulating machines used in the department store?
19. What machine perforates the cards?
20. What machine sorts the cards?
21. What is accomplished in the tabulator?
22. What records are kept of the salesmen?
23. How would you open an account with a new customer?
24. What information is required of one who desires to open an account?
25. What use is made of a token coin or card?
26. What is meant by delivery "out stations"?
27. How is mail-order business usually handled?
28. Where are accounts kept with mail-order customers?
29. Describe a voucher check.
30. What data are provided by the employee's time card? What is made up from the time cards?

PART TWO

ACTUAL BOOKKEEPING

The People's Department Store

In the People's Department Store there are 10 departments:

Dept. No. 1. Dress goods, silks, velvets, linings, and patterns;
2. Laces, embroideries, trimmings, muslin underwear, and lingerie;
3. Wash goods, prints, domestics, knit goods, hosiery, corsets, ribbons, veilings, and petticoats;
4. Cloaks, suits, millinery, fancy work, linen, and flannels;
5. Infants' wear, misses' wear, handkerchiefs, gloves, notions, toys, and bedding;
6. Men's wear, umbrellas, trunks, leather goods, shoes, books, and stationery;
7. Jewelry, silverware, confectionery, drugs, and toilet supplies;
8. Furniture, rugs, carpets, shades, draperies, and art goods;
9. Hardware, kitchenware, china, glassware, and tools;
10. Restaurant.

The inventories for these departments on Monday, July 1, at the opening of business are:

No. 1, $20,492.05	No. 6, $14,177.25
No. 2, $ 9,546.47	No. 7, $12,529.47
No. 3, $10,783.40	No. 8, $17,251.50
No. 4, $24,085.61	No. 9, $ 7,167.04
No. 5, $ 6,366.70	No. 10, $ 123.35

Invoices in the tickler file are as follows:

The Pitcairn Silk Mills, Trenton, N. J., dated June 22, at 2/10 days, $872.80; The Anzac Knitting Mills, Lockport, N. Y., June 24, 3% 10 days, $432.50; The Sherwin-Williams Co., Cleveland, Ohio, June 24, 2/10, N/30, $387.70; The Great Northern Fur Co., St. Paul, Minn., June 25, 3/15, N/60, $735.50; The Lowe Mfg. Co., Cleveland, Ohio, 2/10, N/30, June 25, $127.75; The Haines Bros. Co., Chicago, Ill., leather goods, June 26, 3/10, N/30, $250.

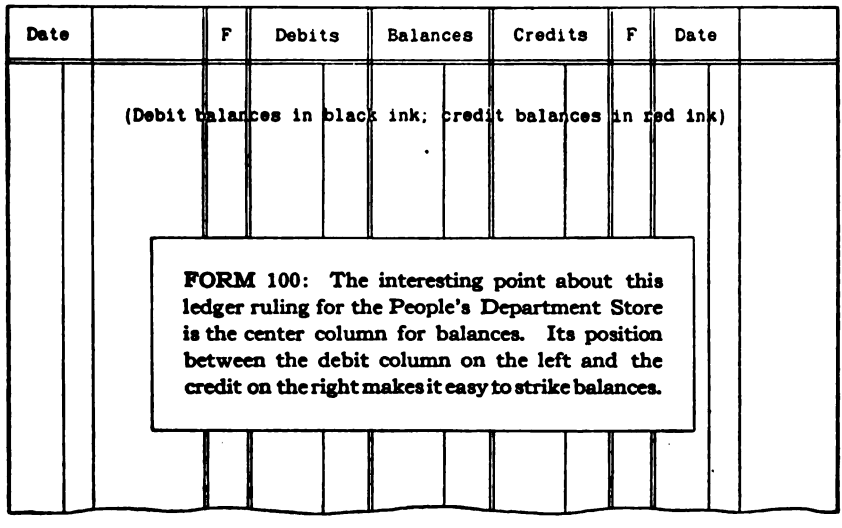
The ledger shows the following accounts receivable:

J. B. Allen, $36.82; Mrs. C. F. Ammermann, $187.65; Miss Ellen B. Apter, $46.80; M. W. Belden, $80.10; J. E. Brown, $2.67; C. P. Borton, $176.35; B. W. Conger, $527.83; L. T. Crowder, $257.91; Mrs. J. W. Dunn, $317.98; A. E. Dwyer, $4.35; C. C. Ebert, $316.46; Mrs. A. K. Elliott, $58.93; Mrs. V. C. Enwright, $285.68; D. H. Farwell, $637.83;

L. L. Grant, $93.67; Dr. U. B. Hancock, $182.48; E. L. Horton, $37.92; J. J. Hulbert, $351.53; F. K. Isaacs, $416.93; M. R. Jensen, $219.41; N. D. Jowett, $520.60; F. Y. Karvan, $116.42; C. T. Larson, $121.35; C. U. Leffler, $63.36; J. W. Martin, $316.72; L. D. Moore, $25.71; Mrs. Alice Naylor, $146.81; A. K. Norman, $95.41; L. S. Oatman, $136.83; F. R. Patrick, $61.30; Mrs. D. C. Rand, $317.47; Mrs. C. H. Raymond, $315.63; G. H. Sartoris, $54.82; W. I. Selden, $59.04; E. Z. Swartz, $35.06; X. G. Thallman, $315.90; K. B. Traun, $47.25; T. H. Warner, $152.80; Mrs. H. N. Wells, $71.58; Miss Ruth Williams, $63.50; Miss Dorothy Zimmermann, $417.39.

According to our general cash book there is on deposit in the First National Bank, $5,739.46; cash in the safe, $412.74. The value of office furniture and equipment, according to our general ledger, is $3,275; store supplies and fixtures are entered at $8,185; delivery equipment at $14,565.

The stockholders of the store are L. R. Marshall, who owns 800 shares at a par value of $100 a share; C. L. Arnold, 200 shares; E. L.


Date
F
Debits
Balances
Credits
F
Date
(Debit balances in black ink; credit balances in red ink)
FORM 100: The interesting point about this ledger ruling for the People's Department Store is the center column for balances. Its position between the debit column on the left and the credit on the right makes it easy to strike balances.

Fitch, 150 shares; Mrs. A. K. Elliott, 100 shares; Dr. U. B. Hancock, 100 shares; Mrs. D. C. Rand, 50 shares; T. H. Warner, 50 shares; Miss Dorothy Zimmerman, 50 shares. The capital is $150,000.

Accounts in the general ledger show also reserves for depreciation of delivery equipment, $4,855; of office furniture and equipment, $818.75; of store supplies and fixtures, $1,637. Insurance has been debited for $296.50. Reserve for bad debts has accumulated to $1,148.60. There is an item in the undivided profits account of $4,231.44.

The style of ruling of the general ledger to be used in the work for the People's Department Store is shown in Form 100 on page 177.

After these entries have been placed in the general ledger and the general cash book, the student should make the opening trial balance preparatory to beginning the entries of the first of July.

The office force of the store consists of

L. R. Marshall, president, $100 a week
C. L. Arnold, vice-president, $75 a week
E. L. Fitch, superintendent, $60 a week
The student, bookkeeper and secretary, $25 a week
Miss Gertrude Grunau, stenographer, $18 a week
Miss Helen Branyan, stenographer, $15 a week
H. L. Johnson, billing clerk, $17.50 a week

THE SALES FORCE

In each group the first named is head of the department:

Dept. No. 1
101, F. C. Busher
102, Miss Myrtle White
103, Miss Irene Van Wye

Dept. No. 2
201, Miss Maisie Gavlac
202, Miss Celia Cohen

Dept. No. 3
301, Miss Agnes Samo
302, Miss Mildred Moskovitz

Dept. No. 4
401, Miss Helen Schultz
402, Miss Bessie Lustig
403, Miss Eleanor Murphy

Dept. No. 5
501, Miss Mildred Frank
502, Miss Marguerite Eckert

Dept. No. 6
601, H. A. Dyer
602, C. B. Connery
603, J. W. Dort

Dept. No. 7
701, L. C. Schultz
702, Miss Vera Mack

Dept. No. 8
801, L. M. Koenig
802, Miss Marie Warsaw
803, Miss Ethel Wolfe

Dept. No. 9
901, L. C. Greenberg
902, H. C. Hohler
903, Miss Esther Hopkins

Dept. No. 10
1001, G. D. Lee, steward

The schedule of salaries follows: heads of departments $15 a week and other salesmen $12. In addition to this fixed salary there is paid to all salesmen a special commission on sales in excess of a stated sum for the week according to the following table:

Dept. No.	Commission	Sales in excess of
1	5%	$300
2	6%	200
3	4%	200
4	5%	300
5	6%	200

Dept. No.	Commission	Sales in excess of
6	4%	$300
7	5%	250
8	5%	400
9	5%	250

In department No. 10 Mr. Lee, the steward, receives $225 a week, from which he is required to employ and pay the necessary help for carrying on the restaurant, with the understanding that when additional employees are required an adjustment of this amount will be made. The inventory in this department cannot be found on the same basis as that used in the other departments for reasons which are obvious. In the stock invoice and analysis sheet, therefore, the amount entered for each day will be what Mr. Lee reports.

Other employees are: a receiving clerk at $20 a week, a helper in the receiving room at $12 a week, a shipping and delivery clerk at $18, 3 delivery men at $15 each, the superintendent of the out delivery station at $18, a helper at the out delivery station at $12, 5 bundle wrappers at $9 each, 2 cashiers at $20 each, 2 floormen at $22.50 each, 2 porters at $12.50 each, 3 elevator operators at $10 each.

The student should keep the following suggestions in mind in addition to general instructions which have been given in the previous work:

Charge sales. Debit the customer in the sales ledger, and in the general ledger credit the department from which the goods are sold, for the total charge sales for that department for the day.

Cash sales. At the close of the day foot the cash sales checks by departments, using the adding machine if one is available, debiting Cash in the sales ledger column for the total of all departments, and in the general ledger crediting each department for its total cash sales.

In the stock and invoice analysis sheet, both charge sales and cash sales must be entered at cost prices, but on the salesman's weekly report card the amount of goods sold by the salesman must be entered at selling prices, so that at the end of the week the amount of special commission due him can be calculated. Form 101 on page 180 shows what the salesman's weekly report card looks like.

Incoming invoices. File in the invoice file. No entries are made until the invoices are paid.

Paid invoices. Debit each department for the goods distributed to it. Credit Accounts Payable in the general ledger. Enter in the accounts payable column on the credit side of the cash book and credit Purchase Discount in the proper column.

Goods returned. When goods sold for cash are returned and the cash is refunded, enter the amount of the refund in the refund column on the credit side of the general cash book, entering the number of the salesman who sold the goods in the explanation column; this number indicates also the number of the depart-

No. 1203 Name Florence Roberts Department 12

	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Total
Cash sales	56.23	63.10	49.61	55.19	58.16	67.90	350.19
Charge sales	74 --	30 - -	64.20	42.30	53.12	72.18	335.80
Returned goods		6.80		12.10			18.90
Net sales	130.23	86.30	113.81	85.39	111.28	140.08	667.09

Commission rate 5% on $ 267.09 in excess of $ 400

Commission for week ending June 7 19-- $ 13.35

FORM 101: This is the salesman's weekly report card used by the People's Department Store. Florence Roberts' net sales for the week are $667.09. She receives 5% commission on everything over $400; 5% of $267.09 is $13.35, her commission.

ment to which to debit the amount of the returned goods. When goods sold on charge account are returned, debit the department concerned in the general ledger, and credit the customer in the sales ledger. All goods returned, whether cash sales or charge sales, must be entered in the stock and invoice analysis sheet at cost prices, and at selling prices on the weekly report card of the salesman who sold them.

Returned purchases. Debit Accounts Payable and credit the department they are returned from in the general ledger.

The general cash book of the People's Department Store contains money columns on the debit side for Deposits by customers on lay-away sales, Department Sales which are the regular cash sales, a general column for items not belonging anywhere else, and a sales ledger column for incoming cash from customers.

On the credit side of the cash book there are money columns for Invoices Payable, preceded by a credit discount column for discounts on the bills we pay, a column for General Expense, a general column for sundry items, one for Department Expense, and a refund column for cash which we refund on goods which are returned to us by cash customers. By writing in the explanation column the number of the salesman on whose sale the refund is made, entries in the refund column are identified as to department also.

ACTUAL BOOKKEEPING

Transactions of the People's Department Store for July

Monday, July 1

Charge sales

Customer	Dept.	Salesman	Items	Prices
Mrs. A. K. Elliott	4	401	1 H. S. fur coat.....	$125.00
Dr. U. B. Hancock	8	803	3 porch chairs @.....	3.75
			1 lawn swing.....	7.50
			1 set dining room furniture.....	165.00
J. E. Brown	9	901	1 enameled gas range..	120.00
			1 kitchen cabinet.....	77.50
Miss Ruth Williams	3	302	6 pairs silk hose @....	2.75
			1 corset.....	6.50
			1 chiffon veil.....	1.75

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$65.74	6	601	$72.54
	102	46.80		602	56.77
	103	48.93		603	50.71
2	201	45.67	7	701	81.30
	202	38.24		702	36.19
3	301	27.44	8	801	97.50
	302	21.48		802	79.36
4	401	27.71		803	34.69
	402	101.79	9	901	88.50
	403	69.07		902	89.93
5	501	36.83		903	65.44
	502	29.60	10		136.25

All c. o. d. sales have been included with the charge sales, but the money collected on c. o. d. sales is included with the cash.

In making entries for returned goods the customer is credited for the selling price of the goods, but the return of the same goods to stock must be indicated at the cost price on the stock and invoice analysis sheet. To do this the student must know the "mark-up" on all goods.

What mark-up is. By mark-up we mean simply the difference between the invoice cost price and the selling price of goods. If, for example, an invoice of goods purchased by the store comes to $100, and the store expects to sell those same goods for $150, we say that the mark-up is $50, and that the percentage of mark-up is 33⅓%. This percentage is figured on the selling price.

The percentage of mark-up will vary in different departments of the store, since some goods can be sold faster than others, allowing more sales at a lower profit on each sale, while other goods sell more slowly, for this reason requiring a higher profit on each sale.

The average percentage of mark-up. The average percentage of mark-ups throughout the whole store should, however, remain the same, and in the People's Department Store, the average percentage of mark-up is 35%. To simplify the work, the mark-up on all the goods of the People's Department Store will be at this 35% rate.

This mark-up must not be confused with the gain. In calculating the gain a number of items of expense, both general and departmental, must be deducted; these will reduce the percentage of gain considerably.

Pay by check the amount of the invoice of the Pitcairn Silk Mills, less 2%. Pay rent for July by check to the General Savings and Trust Co., $350.

Received checks from the following: C. P. Borton, $190; B. W. Conger, $450; Mrs. J. W. Dunn, $175; J. J. Hulbert, $350; Mrs. D. C. Rand, $100.

Goods returned by cash customers

Department	Salesman	Article	Selling price
3	301	petticoat	$1.25
6	602	men's gloves	2.10
9	902	cut-glass fern dish	4.90

Tuesday, July 2

Charge sales

Customer	Dept.	Salesman	Items	Prices
Mrs. C. F. Ammermann	1	101	10 yards black chiffon velvet @.....	$ 4.50
			5 yards Georgette crepe @.....	1.75
J. E. Brown	5	502	6 infants' dresses @...	1.95
			2 pairs infants' shoes @.....	1.50
			1 pair women's gloves.	1.85
W. I. Selden	7	701	1 sterling silver tea set.	23.75
			1 26-piece silver plated dinner set.....	8.00
	8	802	1 Wilton rug, 9 x 12 ..	75.00
K. B. Traun	2	201	4 yards Chantilly lace @.....	8.00
			1 yard oriental lace...	50.00
J. J. Hulbert	6	603	1 suit.....	46.50
			1 trunk.....	20.00
			1 leather portfolio....	9.50

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 72.81	6	601	$ 96.52
	102	41.10		602	58.99
	103	38.47		603	41.77
2	201	30.84	7	701	62.47
	202	41.67		702	56.39
3	301	32.25	8	801	157.90
	302	28.41		802	62.49
4	401	110.00		803	27.29
	402	97.82	9	901	105.30
	403	76.48		902	112.60
5	501	46.98		903	71.52
	502	27.70	10		154.65

Miss Ruth Williams returns the chiffon veil purchased July 1, from salesman No. 302.

Pay by check the invoice of the Anzac Knitting Mills, of June 24.

Received checks from customers as follows: C. T. Larson, $100; N. D. Jowett, $500; J. W. Martin, $150; E. Z. Swartz, $35.06.

Mrs. A. K. Elliott reports that several sections of the fur in the coat she purchased yesterday were not sewed together, and that when she attempted to wear the coat in showing it to a friend, it ripped open

where there were only basting threads to hold it together. We have replaced the coat and shipped the imperfect one to the Great Northern Fur Co. by express insured.

Paid taxes for the half-year, $1,036.73, by check to P. C. Reilly, county treasurer.

Wednesday, July 3

Charge sales

Customer	Dept.	Salesman	Items	Prices
J. B. Allen	9	903	1 set tools in cabinet..	$ 51.90
			1 screen door, 2′ 8″ x 6′ 8″.....	2.50
			125 sheets wallboard @	1.03
A. E. Dwyer	3	301	3 sweaters @.....	12.25
			18 pairs boys' hose @.	.32
F. Y. Karvan	8	801	1 oriental rug, 9′ x 12′	175.00
			1 Persian rug, 4′ x 6′	82.50
F. R. Patrick	6	602	6 pairs misses' shoes @	7.75
			2 pairs men's shoes @	8.50
			1 silk umbrella, 28″...	13.50
			1 silk umbrella, 26″...	19.85
G. H. Sartoris	1	102	20 yards black silk velvet @.....	4.15
			10 yards lining satin @	1.25
	7	701	1 diamond ring, 1¼k..	355.00
L. D. Moore	7	702	1 gold watch, 14k.....	75.00
			1 pair Bausch & Lomb binoculars.....	51.50

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 67.31	6	601	$ 91.02
	102	42.25		602	59.22
	103	26.72		603	36.29
2	201	25.34	7	701	56.97
	202	36.17		702	50.89
3	301	26.75	8	801	85.40
	302	22.91		802	71.99
4	401	64.30		803	21.16
	402	84.32	9	901	76.20
	403	71.22		902	65.09
5	501	41.48		903	62.59
	502	31.44	10		208.80

Goods returned by cash customers

Department	Salesman	Article	Selling price
2	202	muslin underwear.....	$2.11
7	702	manicure set.....	3.75
5	501	1 pair gloves.....	2.50

Goods returned from charge sales

Customer	Dept.	Salesman	Article	Price
J. E. Brown	5	502	1 pair infant's shoes..	$1.50

Received cash from customers as follows: Miss Ruth Williams, $50; W. I. Selden, $100; X. G. Thallman, $265.90; Mrs. Alice Naylor, $25; Dr. U. B. Hancock, $200.

Paid by check the bill of the Sherwin-Williams Co., dated June 24. Paid for advertising in the Times, $40. Paid the Electric Illuminating Co.'s bill for light and power for the month, $76.85. Paid water rent for six months by check to A. T. Burns, superintendent of the water department, $21.62.

An invoice of shoes has been received and checked by the receiving clerk, under date of June 29, for $312.89, from the Rexall Shoe Co., Boston, Mass., and the goods placed in department 6. Terms 2/10, N/30.

Mr. Lee, steward of the restaurant, reports grocery, meat, vegetable, and other bills amounting to $31.27, all of which are properly receipted. Make a check in Mr. Lee's favor for the amount of these bills.

Received a New York draft from the Great Northern Fur Co. for the coat returned to them, $81.25.

Friday, July 5

Charge sales

Customer	Dept.	Salesman	Items	Prices
B. W. Conger	9	901	1 10-piece aluminum cooking set.....	$ 11.75
			1 fireless cooker.....	18.60
			1 kitchen table, porcelain top.....	5.80
Mrs. J. W. Dunn	8	802	2 pr. fringed tapestry portieres @.....	12.25
			1 band rope portiere..	9.50
			1 Wilton rug, 11¼′ x 15′.....	78.50
Mrs. V. C. Enwright	4	403	1 sealskin coat.....	462.75
			1 trimmed hat.....	31.40
E. L. Horton	6	601	1 suit.....	47.50
			1 overcoat.....	36.50
			1 hat.....	7.25

C. T. Larson	1	101	1 silk crepe de chine dress	$ 34.85
			20 yards silk velvet @.	4.50
	5	502	12 pairs silk hose @...	3.00
			1 lace and net misses' dress	23.35
Mrs. C. H. Raymond	7	702	1 household drug cabinet	15.00
			1 box toilet soap	3.00

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 50.51	6	601	$ 69.37
	102	32.25		602	44.81
	103	20.27		603	27.22
2	201	25.43	7	701	42.79
	202	19.43		702	38.39
3	301	20.57	8	801	64.04
	302	17.19		802	54.19
4	401	48.03		803	16.61
	402	63.23	9	901	58.02
	403	54.22		902	52.90
5	501	31.84		903	47.95
	502	24.63	10		141.30

Goods returned by cash customers

Department	Salesman	Article	Selling price
3	301	petticoat	$ 1.85
4	402	trimmed hat	5.95
6	603	suitcase	10.35
8	801	rug	3.50

Goods returned from charge sales

Customer	Dept.	Salesman	Article	Prices
A. E. Dwyer	3	301	1 sweater	$ 12.25
F. R. Patrick	6	602	2 pairs misses' shoes @.	7.75

Paid for repairs on shelving in department No. 9, by check to George Hand, carpenter, $8.65.

Paid for painting in department No. 9, to P. M. Emden, by check, $5.75.

Returned to the Haines Bros. Co., Chicago, the suitcase which was returned to us today.

Received cash from customers as follows: Miss Dorothy Zimmerman, $200; K. B. Traun, $100; G. H. Sartoris, $400; F. K. Isaacs, $300.

Paid for wrapping paper and twine to the National Paper and Twine Co., by check $185.90.

Saturday, July 6

Charge sales

Customer	Dept.	Salesman	Items	Prices
Miss Ellen B. Apter	3	301	5 yards ribbon @.....	$ 1.25
	2	201	10 yards silk net @...	4.75
			5 yards gold embroidery @.....	8.50
C. P. Borton	3	302	6 pairs opera silk hose @.....	5.00
			4 silk union suits @...	12.00
			12 pairs men's silk hose @	1.50
M. W. Belden	6	603	1 Encyclopedia Brittanica.....	136.00
			1 Webster's Dictionary	14.85
B. W. Conger	9	902	1 100-piece set Haviland china.....	42.80
			1 7-piece cut glass water set.....	21.50
	8	801	1 dining table, 6 chairs, 1 buffet, 1 china cabinet, set complete.....	267.75
J. W. Martin	5	501	1 toy motor.....	6.00
			2 dolls @	4.95
			1 velocipede.....	12.50

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 75.77	6	601	$109.50
	102	48.37		602	67.23
	103	30.42		603	54.44
2	201	38.62	7	701	64.35
	202	23.21		702	57.60
3	301	30.75	8	801	96.40
	302	25.01		802	81.91
4	401	72.30		803	21.16
	402	95.32	9	901	79.20
	403	81.33		902	78.09
5	501	47.34		903	70.59
	502	36.95	10		176.45

Goods returned from charge sales

Customer	Dept.	Salesman	Article	Selling price
Mrs. V. C. Enwright	4	403	1 trimmed hat	$31.40
Mrs. J. W. Dunn	8	802	1 band rope portiere	9.50

Goods returned by cash customers

Department	Salesman	Article	Selling price
1	101	1 dress pattern.....	$ .35
5	502	1 bed spread.....	12.50
7	702	1 set silver plated knives and forks.....	15.80
9	902	1 cut glass punch bowl.....	10.00

We return to the Rexall Shoe Co., Boston, Mass., 5 doz. overshoes @ $9 a doz.

Received cash from customers as follows: L. S. Oatman, $136.83; Mrs. C. H. Raymond, $275; F. Y. Karvan, $225; M. R. Jensen, $200; D. H. Farwell, $300.

Mr. Lee reports bills from department No. 10, all of which are receipted, to the amount of $47.31. Make a check in his favor for that amount.

Paid for window cleaning by check to James Short, $15.

Paid freight bills to P. C. Freeman, agent, $67.84.

Sent checks to the Great Northern Fur Co., the Lowe Mfg. Co., and Haines Bros. Co., for invoices due, deducting the discounts.

Draw from the bank by check sufficient cash to make up the payroll for the week, making the proper entries.

The following invoices of goods have been received and checked by the receiving clerk:

Invoice of furniture from Cowell & Henderson, Battle Creek, Mich.; amount, $347.80; terms, 2/10, N/30; it is placed for sale in department 8.

Invoice of machinists' tools from Ecker Mfg. Co., New York, N. Y.; amount, $1,275.50; terms, 1/15, N/60; they are placed for sale in department 9.

Invoice of plain china from The B. & W. Co., Trenton, N. J.; amount, $1,183.40; terms, 3/5, N/15; it is placed for sale in department 9.

The first of these is dated June 30; the second, June 28; the third, July 1.

Write a check in favor of cash or bearer for $34.85 to replace money from the petty cash imprest fund used for telegrams, long-distance telephone messages, messenger service, postage stamps, parcels postage, street car fare, and taxicab fare.

STANDARD QUESTIONS

How to make the entries

1. How does the general ledger of the People's Department Store differ from those previously used?
2. How are the heads of departments distinguished?
3. Why is the rate of special commission higher in some departments than in others?
4. What are some of the reasons why the inventory of department No. 10 cannot be found as are those of other departments?
5. Where and how do you enter charge sales?
6. Where and how do you enter cash sales?
7. What do you do with incoming invoices?
8. What entries do you make when invoices are paid?
9. What entries do you make when cash customers return goods?
10. What entries do you make when charge customers return goods?
11. What entries do you make when the store returns purchases?
12. Why is the return of the fur coat to the Great Northern Fur Co. an exception to this rule?
13. Describe the salesman's weekly report card.
14. What is meant by the mark-up on goods?
15. Why is the mark-up not the same as the gain?

PART THREE

Monday, July 8

Charge sales

Customer	Dept.	Salesman	Items	Prices
L. T. Crowder	4	401	20 yards linen @.....	$ 1.75
			25 yards embroidered wool flannel @..	1.25
			1 misses' sport suit...	42.50
			1 misses' hat.....	17.75
L. L. Grant	6	603	1 men's summer suit..	37.50
			1 Panama hat.....	12.50
			2 pairs men's shoes @.	9.25
F. R. Isaacs	1	102	40 yards silk @.....	2.95
			40 yards velvet @....	4.50
			50 yards silk lining @.	1.25
N. D. Jowett	7	701	5 lbs. chocolates @...	.75
			1 set Community Silver tableware.....	16.50
			1 silver toilet set.....	25.00

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 70.85	6	601	$ 85.60
	102	53.74		602	67.90
	103	46.44		603	41.77
2	201	45.03	7	701	51.10
	202	36.11		702	56.18
3	301	39.24	8	801	91.64
	302	33.50		802	73.09
4	401	60.66		803	24.19
	402	63.89	9	901	73.47
	403	52.14		902	66.19
5	501	38.81		903	58.99
	502	37.50	10		143.70

Goods returned from charge sales

Customer	Dept.	Salesman	Article	Price
C. P. Borton	3	302	1 silk union suit.....	$12.00

Goods returned by cash customers

Department	Salesman	Article	Selling price
3	302	1 silk fiber sweater.....	$19.98
6	601	1 silk umbrella.....	8.50
8	803	1 folding 3 x 5 camera	7.85

Received cash from customers as follows: J. B. Allen, $200; Mrs. C. F. Ammermann, $241.40; Miss Ellen B. Apter, $100; L. T. Crowder, $150.

Paid the Thallman Electric Garage for repairs on delivery truck, $61.80.

One of our drivers reports that his truck was struck by a motor car of the Interurban Street Railway Co. after the guard at the crossing had given him the signal to cross. The damage, as estimated by a representative of the Thallman Electric Garage, is about $300. We have instructed our attorney, Mr. J. O. Stern, to bring action against the street railway company at once, since they refuse to consider the damage as having been their fault. Pay Mr. Stern a retaining fee of $25 by check. Until our truck is again in running order, we have arranged with the Clarke Auto-Truck Co., of this city, to furnish us a truck at a charge of $12 a day, beginning with tomorrow morning, and until further notice.

Send a check to the Rexall Shoe Co., Boston, Mass., for the amount which is due on the invoice of shoes received June 29, less the proper discount.

Write a check for our donation to the American Red Cross Society for $100.

Tuesday, July 9

Charge sales

Customer	Dept.	Salesman	Items	Prices
J. J. Hulbert	2	201	5 women's cambric skirts @	$ 3.50
			4 princess slips	2.50
	3	302	12 pairs women's silk hose @	3.25
			4 silk petticoats @	4.13
M. R. Jensen	8	803	1 3¼ x 5½ roll film camera	32.50
			1 developing and finishing outfit	5.50
			3 12-exposure rolls of films @	.75
			½ gross post-cards	.75
C. U. Leffler	6	601	1 trunk	44.50
			1 suitcase	21.00
			6 shirts @	3.50
			1 Panama hat	12.00
A. K. Norman	6	602	2 pairs shoes @	8.75
			1 umbrella	7.50
			24 collars @	.15
			12 pairs socks @ per pair	.50

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 77.58	6	601	$93.06
	102	58.47		602	74.09
	103	51.04		603	45.77
2	201	49.53	7	701	56.01
	202	39.71		702	61.78
3	301	43.14	8	801	100.46
	302	36.80		802	80.90
4	401	66.66		803	26.59
	402	70.19	9	901	80.74
	403	57.41		902	72.91
5	501	42.61		903	64.97
	502	41.02	10		157.10

Goods returned from charge sales

Customer	Dept.	Salesman	Article	Prices
L. T. Crowder	4	401	1 misses' hat	$12.50
N. D. Jowett	7	701	1 silver toilet set	25.00

Goods returned by cash customers

Department	Salesman	Article	Selling price
4	402	6 linen napkins @.....	$ .75
7	702	1 garnet ring.....	4.50
5	501	1 pair gloves.....	2.00

Received cash from customers as follows: A. E. Dwyer, $30; Mrs. V. C. Enright, $200; E. L. Horton, $25; Mrs. Alice Naylor, $25; F. R. Patrick, $100; A. K. Norman, $50.

Sent check to the B. & W. Co., Trenton, N. J., for the amount of the invoice received July 6, less discount.

Paid the Standard Oil Co. for gasoline, $32.50.

Wednesday, July 10

Charge sales

Customer	Dept.	Salesman	Items	Prices
C. C. Ebert	5	501	2 cotton felt mattresses @	$18.75
			4 pairs wool blankets @ per pair.....	10.50
			3 pair pillows @ per pair.....	7.50
			3 down comforters @.	$ 9.60
D. H. Farwell	9	903	6 plain china vases @.	17.85
			1 kitchen range	42.50
L. S. Oatman	3	301	3 sweaters @	9.75
			12 pairs silk hose @..	3.35
			2 boy's knitted suits & caps @.....	8.60
Mrs. D. C. Rand	2	202	1 setembroideredlinen, consisting of table cover, luncheon cloth, 12 napkins, 3 table mats	45.80
			5 yards fur trimming @	3.25
T. H. Warner	9	901	1 kitchen cabinet.....	28.80
			1 eight-piece porcelain cooking set	3.86
			2 casseroles @	3.45

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 85.77	6	601	$ 60.39
	102	74.85		602	90.47
	103	40.15		603	77.54

Cash sales, continued

Dept.	Salesman	Amount	Dept.	Salesmen	Amount
2	201	35.94	7	701	61.05
	202	17.93		702	87.16
3	301	41.34	8	801	64.01
	302	40.63		802	90.08
4	401	56.82		803	95.62
	402	91.07	9	901	47.08
	403	14.75		902	19.27
5	501	16.24		903	79.46
	502	20.14	10		107.51

Goods returned from charge sales

Customer	Dept.	Salesman	Article	Price
A. K. Norman	6	602	1 pair shoes.....	$8.75

Goods returned by cash customers

Department	Salesman	Article	Selling price
1	101	20 yards silk velvet @.....	$ 3.75
6	601	1 men's suit	18.50
8	803	1 rug	42.50

Paid the Jordan Advertising Agency for advertisements in sundry magazines, $256.80. Paid Cowell & Henderson's invoice of June 30, less discount. Paid for additional insurance on stock and fixtures, $600, to the Hartford Insurance Co. Paid railroad fare and incidental expenses of President Marshall to New York and return, by check to him, $56.75. Mr. Lee reports that he has paid bills for department No. 10, for which we give him a check for $72.43.

Thursday, July 11

Charge sales

Customer	Dept.	Salesman	Items	Prices
Miss Dorothy Zimmerman	4	403	1 fur coat.....	$1500.00
Mrs. H. N. Wells	1	101	10 yards dress goods @	2.15
			5 yards lining satin @	1.89
			20 yards silk velvet @	5.50
			2 patterns.....	.45
X. G. Thallman	6	602	1 set double harness..	67.50
			1 saddle.....	27.75
			1 set single harness...	22.25
L. S. Oatman	8	801	1 library suite.....	125.00
			1 Wilton rug.....	85.00
E. Z. Swartz	7	702	1 sterling silver tea set	100.00
			1 grandfather's clock.	215.00

Cash sales

Dept.	Salesman	Amount	Dept.	Salesman	Amount
1	101	$ 80.64	6	601	$ 84.70
	102	76.42		602	52.65
	103	67.84		603	69.13
2	201	47.96	7	701	61.24
	202	36.72		702	39.58
3	301	41.73	8	801	101.11
	302	47.95		802	111.05
4	401	112.71		803	64.88
	402	79.90	9	901	81.50
	403	12.72		902	71.04
5	501	52.60		903	72.59
	502	44.79	10		162.80

Goods returned from charge sales

Customer	Dept.	Salesman	Article	Price
T. H. Warner	9	901	1 casserole.....	$3.45
C. C. Ebert	5	501	1 pair pillows.....	7.50

Goods returned by cash customers

Department	Salesman	Article	Selling price
4	403	1 suit.....	$42.50
7	702	1 silver plated dresser set...	15.00
5	502	1 pair gloves.....	2.15

Received cash from customers as follows: A. K. Norman, $50; Mrs. D. C. Rand, $100; C. T. Larson, $125; Dr. U. B. Hancock, $100; C. C. Ebert, $200.

Friday, July 12

By a fire which occurred last night a large part of the goods in departments 3, 4, and 5 were destroyed or badly damaged. The officers of the company and the insurance adjusters have investigated the matter and find that the loss is $4,000 in department 3, $6,000 in department 4, $1,500 in department 5, and $1,000 on fixtures. Our insurance policies cover $10,000 of this. The other $2,500 is a loss. The store will be closed until Monday, July 15, to make arrangements for selling the damaged stock at a special sale.

Saturday, July 13

We have received tne insurance companies' checks for the amount covered by their policies. Pay the employees' and officers' salaries in full for the entire week, as all are working in the damaged departments. Make a trial balance, a trading statement, a resource and liability statement, a loss and gain statement, and the final proof. Then close the books.

There are times when the manager wants to watch sales of certain commodities over a period of time; or he may want to see whether sales are increasing or decreasing from time to time.

How to study reports. One way to ascertain these facts is to study the figures given in the daily reports and compare them with the figures in previous reports. But it takes time to go over the same reports again and again, and besides it is not easy to remember the figures for several periods.

There is a way, however, by which figures of any kind can be arranged so as to show at a glance what would take hours to puzzle out from columns of figures or multitudes of reports.

This method is so simple that it can be used to show all sorts of facts—movements of prices, variations in costs, increases in population, volume of sales, number of customers coming to the store on certain days, wages and number of employees, and so on.

The graphic method of showing facts, as it is called, is probably more widely used today than any other method.

Making pictures from figures. A graph is simply a "picture of figures." Instead of arranging figures in columns, they are marked on a scale. Suppose, for instance, the sales of hats every day for a week were:

Monday—$300
Tuesday— 200
Wednesday— 150
Thursday— 150
Friday— 350
Saturday— 250

For one week a graph might be unnecessary, but for 52 weeks, there would be 52 columns of 6 figures each, or 312 different figures to study.

Form 103 on page 198 shows us the graph of these figures. On Monday the sales are large, Tuesday less, Wednesday still less, Thursday the same as Wednesday, Friday high, Saturday high.

How to study the graph. What's the reason? Probably there was a special sale on Monday, advertised in the papers; this brought a crowd to the store. Tuesday some customers came who were unable to come Monday. Wednesday and

Thursday were normal days. Friday was not only a special sale day, but also many customers were buying hats for use over the week-end; the same is true of Saturday.

The manager looking over this chart would do two things: he would compare this chart with charts of other weeks to see if the tendencies to large sales on Monday, Friday and Saturday were the same for every week; and he would plan some way of increasing hat sales on the low days, Wednesday and Thursday.

How to make graphs. For making graphs, paper can be ruled in squares specially for the purpose. The paper is often called "cross-section" paper, and sometimes "coordinate" paper, and is obtainable in different sizes at almost any stationery store.

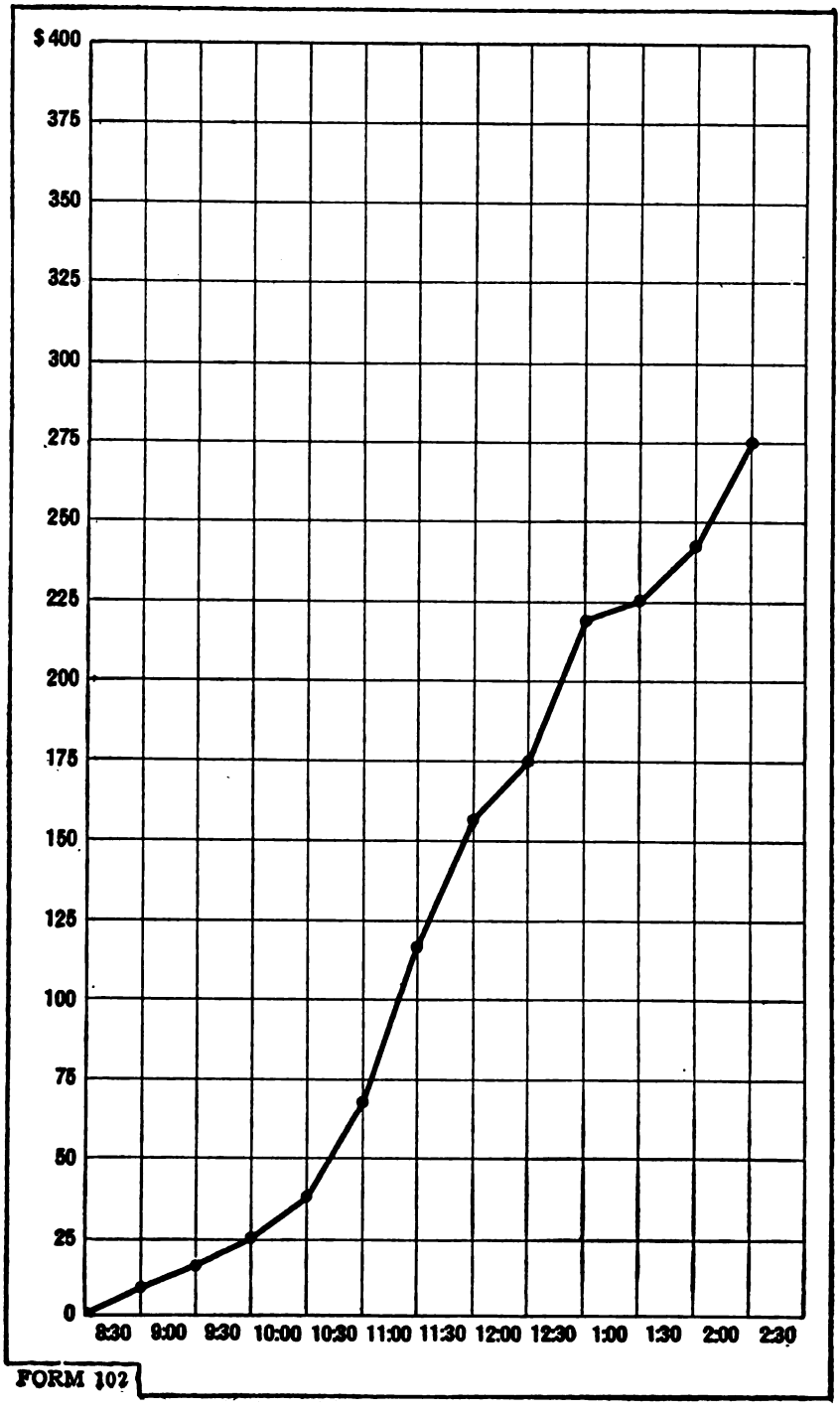
Such horizontal or vertical lines as are desired to stand out can be so ruled. For example, in Form 104 on page 198 every sixth vertical line is re-ruled so as to divide the weeks from each other and every tenth line is re-ruled to mark off the $1,000 intervals horizontally.

The vertical scale. The figures at the left of the squares form what is called the vertical scale, and are used to represent quantities or volumes, or whatever unit of measure is being used, whether it is prices, or quotations, or sales, or wages, or costs.

The horizontal scale. The figures at the bottom are called the horizontal scale, and are used to indicate the lapse of time, such as the number of hours, days, weeks, months, years, or the number of tests made.

In making the chart, vertical scales are placed first, then the horizontal scales; in doing this, each scale figure should be at the end of a line, not between two lines. The bottom horizontal line is also usually marked 0 in the vertical scale, and each horizontal line above the "zero line" represents a definite number of units. For instance, since the bottom horizontal line is marked 0, the next horizontal line above it would be marked 1, the next 2, then 3, 4, 5, and so on; or 0, 10, 20, 30, 40, and so on; or 0, 100, 200, 300, 400, and so on; or 0, 2, 4, 6, 8, 10, and so on; or 0, 3, 6, 9, 12, 15, 18, and so on; but never, 0, 2, 5, 6, 8, 11, and so on.

The student should read the last paragraph over again until he is sure that he understands it thoroughly, for unless the scales are correct, the rest of the work on the graph will be wasted.



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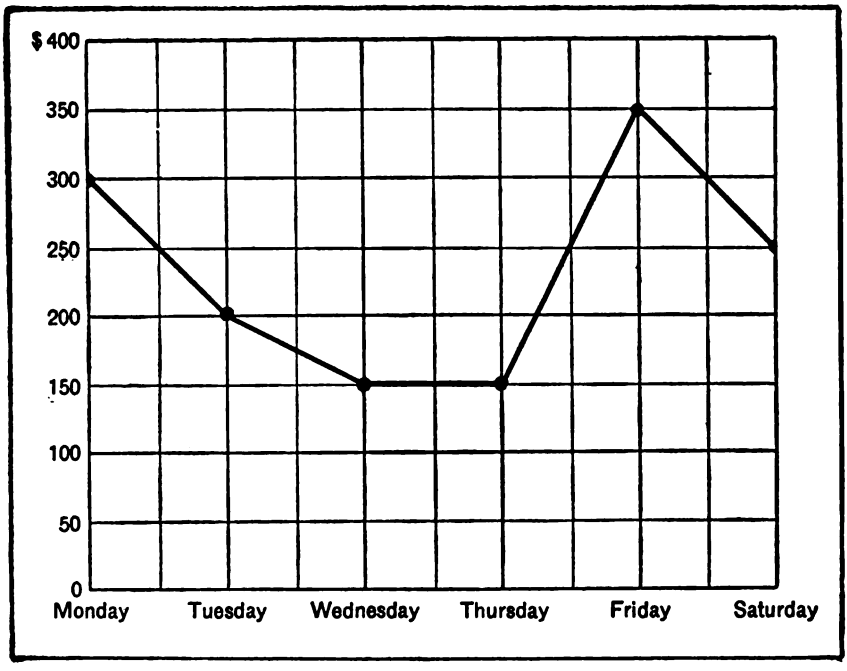
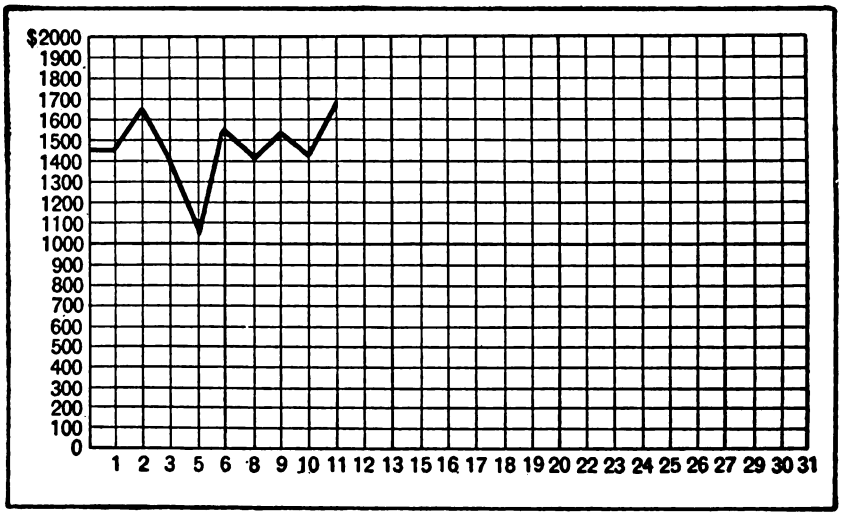


FORM 103: In making this graph from the figures given on page 195, we first rule the squares. Then we put in the vertical scale numbering the lowest line 0, the next 50, and so on. Next we put in the horizontal scale, and finally we plot the curve.



FORM 104: This graph shows the cash sales of the People's Department Store from July 1 to July 11. Sales were fairly high Monday and Tuesday, higher Wednesday, lower Thursday. How can the "ups and downs" in the curve be explained?

Charting the information. After the squares and scales have been prepared, the student is ready to "plot" his figures. By plotting is meant finding a point on the chart which corresponds to the information desired to show in the graph.

For example, in Form 103 on page 198, is a chart showing the sales of hats every day for a week. The vertical scale shows the sales of hats, starting at 0, and increasing $50 at a time up to $400. The horizontal scale shows the days of the week.

Sometimes the horizontal scale is placed at the top, but the best practice is to put it at the bottom.

The sales of hats for the week were:

Monday—$300
Tuesday— 200
Wednesday— 150
Thursday— 150
Friday— 350
Saturday— 250

By placing the left forefinger on the vertical scale at the figure 300, and holding it there, and running the right forefinger up the vertical line representing Monday, until it is opposite the left finger on 300, a heavy dot (.) at this point shows that on Monday there were $300 worth of hats sold.

By placing similar dots on Tuesday, Wednesday, and the other days, the result will be a series of dots, each dot representing the sales of hats for a certain day.

Drawing the curve. If now a straight line is drawn from Monday's dot to Tuesday's dot, another straight line from Tuesday's dot to Wednesday's dot, and so on, the crooked line from Monday to Saturday will show how sales of hats decreased or increased from day to day.

This crooked line is called a "curve," strange as it may seem. And the reason it is called a curve is because if the sales of hats were plotted for every hour or every half-hour for a week instead of every day, and then the dots connected, the line would be more curved than straight. If the unit of time were small enough, the result would be a curved line. Form 102 on page 197 shows how the sales of hats for Friday might look. Since graphs are made for two purposes—to show what has taken place and what

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is likely to take place—that is, to show the "trend" of events, any chart which does not serve one or both of these purposes is useless.

A different color of ink should be used in drawing the curve, or else the line should be made so much heavier than the lines forming the squares as to be easily and quickly distinguishable. If more than one item is to be represented on the same sheet, such as hats and shoes, the curves for each item should have a different color from the others in order to prevent confusion. Although colors are preferable, dotted or broken lines may be used.

The curve in Form 104 on page 198 shows the cash sales of the People's Department Store from July 1 to July 11. On a similar sheet the student should prepare a graph of the charge sales of the store for the same period.

BOOKKEEPING PRACTICE

How to prepare a graph

Graphs of the two items given below should be made in different colors on a sheet of cross-section paper, prepared in accordance with the instructions in this section.

In a confectionery store the sales of candy for the year were as follows: January, $145; February, $137.50; March, $151.75; April, $142.40; May, $134.55; June, $158.90; July, $121.10; August, $101.45; September, $122.60; October, $133.50; November, $141.85; December, $212.20.

The sales of ice cream in the same store for the same time were as follows: January, $12.40; February, $10.35; March, $18.25; April, $16.80; May, $31.10; June, $56.65; July, $110.50; August, $139.90; September, $101.10; October, $73.20; November, $24.60; December, $30.15.

STANDARD QUESTIONS

Transactions of the People's Department Store

1. What do you think are the prospects of the store in the suit against the street car company? Why?
2. Why is the $100 given to the Red Cross charged to loss and gain?
3. Why do you think A. K. Norman purchased two pair of shoes on July 9 and returned one pair on July 10?
4. Did the check sent to the B. & W. Co. on July 9 come within the terms of discount?
5. Describe the process of making a graph.

SECTION VII

MANUFACTURING AND COST ACCOUNTING

PART ONE

LIKE many other words, the word "manufacturing" has changed its meaning to such an extent that it now means practically the opposite to what it originally signified. The Latin meaning of the word is "hand-made," but nowadays an article is distinguished as "hand-made" when the one who speaks of it desires to convey the impression that it is not manufactured! In the early days of craftsmanship the work was done in the home of the artisan, who produced the finished article, frequently with the help of his family, from beginning to end, and then became his own salesman by going out to find a buyer.

Early manufacturing. The maker of clothing, for example, raised the sheep, sheared them, carded, spun, and wove the wool into cloth, which he then made up into more or less attractive garments. The invention of machinery, the decline of slavery, and the improvement of transportation from about 1760 to 1790, rendered this method of production too slow and therefore too expensive, and hence arose the factory system which has been developing very rapidly since then.

The growth of factories. As this factory development proceeded it became evident that the same manufacturer could not continue to carry his product through all its stages. Speed and skill demanded a division of processes. The herdsman henceforth devoted himself to raising the sheep; the wool became the finished product of his work. But to the owner of the spinning mill, wool was his raw material and yarn his finished product. This same yarn, in its turn, became the raw material for the weaver whose looms turned out cloth as the finished product. To complete the cycle, the tailor purchases the cloth as raw

material and turns out the garments as finished product. It thus becomes a little difficult to define exactly what raw material is. Even the dictionary leaves it with the statement that it is simply material "which has not been subjected to a (specified) process of manufacture."

What purchased parts are. By devoting themselves to certain parts of manufactured products men have developed special skill and have been able to make those parts better and cheaper than the factory owners can make them themselves. This has given rise to special factories for those parts, and the manufacturers of the larger products may find it to their advantage to buy certain parts from specialists rather than to make them in their own plants. Thus the manufacturer of wagons buys the springs all ready to be attached from the springmaker; the blacksmith who formerly hammered out horseshoes and nails from bar and rod iron now buys both ready-made; the toolmaker buys handles from the handle factory, and so on.

This has been carried so far that in certain types of automobiles the makers purchase the wheels from a wheel factory, the body from a manufacturer of bodies, the axles from makers of axles, the engine from a motor manufacturing company, the top from a topmaker, other parts from other manufacturers, and by supplying some bolts and a few coats of paint, assume the name of manufacturers when they would be more appropriately designated as "assemblers."

Men and machinery. Having obtained the necessary materials, whether in the form of raw materials or purchased parts, the manufacturer must have them worked into the product he expects to sell. There are two factors necessary for this—men and machines. However well the manufacturer may be supplied with machines, his ultimate success in manufacturing will depend in the last analysis, it is probable, more on the skill and character of the labor and the wisdom with which it is supervised than on anything else.

Direct labor. In the different departments of the factory the processes through which the materials pass are performed by workmen who are skilled in the particular tasks they perform. One is a machinist, another a bench worker, and so on. These

men perform what is called direct labor, since they work directly on the job going through the factory.

Why there must be indirect labor. There are many things which must be done in every department, however, in order to keep it running smoothly, which do not pertain to the immediate work on the article which is to become the finished product of the factory. Among these are repairs on the machines used in the machine shops, sharpening of tools used by the workmen, bringing materials from the storeroom to the shops, cleaning up the debris of the processes, returning unused materials to the storeroom and tools to their places, and so on. All this is called indirect labor, since it is not applied directly to the job.

What factory burden includes. In addition to the indirect labor, there are many other items of expense connected with the departments of a factory. In cold weather the building must be heated; if night work is done, and in the winter to some extent in the daytime, it must be lighted; machines must be supplied with power for running them; insurance must be carried for protection against fire; if the plant is owned by others than the manufacturing company, rent must be paid; or if the company owns the plant, interest on the value of the property must be considered; provision must be made for the pay of foremen and superintendents whose work is neither direct nor indirect; general and special taxes must be paid; in many places a fund must be maintained for the protection of the workmen, either by the company itself or by regular payments to a state official; machines and tools will wear out, and provision must be made for their replacement or renewal. These and similar expenses make up what is called factory burden.

Just what is overhead? The salaries of the officers who manage the finances of the company, of the bookkeepers, stenographers, messengers, and others in office positions, together with other office expenses, constitute the overhead expense.

Note—The student will find that writers on the subject of cost accounting do not always agree upon the classification of items. Some make the terms "burden" and "overhead" practically synonymous; others discard one or the other and place all items under the one retained; still others draw such fine distinctions as to confuse the student almost beyond any hope of understanding. The above classification is simple, and is as nearly an accepted one as the author has found.

The merchant who buys and sells commodities already completed, finds the gross cost of the goods by adding three items—the price paid to the jobber or manufacturer, the shipping charges, and the expense of carrying on his business In order to determine the selling price, he adds to the gross cost the selling expense and the amount of profit he considers fair.

How to find the selling price. The manufacturer of articles to be sold must add together the money paid out for raw materials, purchased parts, direct labor, indirect labor, burden. and overhead, to find the cost. This sum plus selling expense plus the profit will equal his selling price.

The raw materials and purchased parts to be used on a job are obtained from the storeroom by requisition. When the job is finished, or when the process in a particular department is finished, the materials not used are returned to the storeroom; the quantity used, figured at the invoice price plus direct charges on those materials, is the cost of raw materials and purchased parts for that job.

Wages. One of the most important items of expense is wages. Wages are paid on several different bases. First and oldest of these is the day rate.

The day rate plan. The day rate plan is widely used, Modifications of it are the weekly or monthly rate, but what applies to one is true of all. It groups workers of a similar kind and pays them an arbitrary wage for their time, with slight variations which are supposed to depend upon the skill of the worker, the location of the business, and other conditions. Any advance in pay must be uniform throughout the group lest jealousy and discontent arise. The result is apt to be a dead level of effort in both quality and quantity, and it is more often than not a low level, because there can be no special reward to the ambitious worker, and no punishment for the one who lags.

The piece rate plan. Under the piece rate plan the work is divided into units or pieces, and each worker is paid according to the number of units or pieces completed. Objections to this method on the part of workmen usually arise from setting the rate too high or too low at the start. When the piece rate is

reckoned on the basis of the number of units or pieces turned out under the time rate plan, the workers produce so much more that the wages seem absurdly high. The rate may then be reduced. The workers, of course, speed up to maintain the wages; other cuts in the rate follow, until the men are overworked or the quality of the articles produced deteriorates. The piece plan is a reasonable and satisfactory plan if the rate is properly set in the first place and is maintained, and if the work is inspected properly in order to keep it up to standard.

The profit sharing plan. In some organizations an effort has been made to share with the workers a certain percentage of the profits at the close of each financial period. If the profits are large, the workers receive a large amount in addition to their regular wages, and if they are small, they receive a smaller amount. Some say the scheme is manifestly unfair, because if the business shows a loss, the worker stands none of it, and that it is open to the same objection as the day rate plan because the indifferent and inefficient worker receives the same reward in the extra money paid as the one who is alert and efficient.

The premium and bonus plans. The premium and bonus plans are so closely related that they may be considered as modifications of the same idea. In them the worker receives a minimum wage with the understanding that if he produces the average amount of work in less than the full day, he shall be paid extra for the work done during the remainder of the day.

The differential rate plan. Under the differential rate plan a fair day's work is determined by careful tests, and for the number of units of perfect work thus produced the worker is paid a certain rate, as in piece work. In addition to this it is understood that if his work is unsatisfactory, the unit so spoiled is to be counted out. Furthermore, if his rate of production falls below the standard number, the unit rate is less, whether the lower number is caused by imperfect work or by sluggishness. On the other hand, if he produces a greater number of units than the standard, the unit rate is higher than the ordinary rate.

For example, if the standard number of units is 20 and the rate is 15 cents a unit, a man's wages for ordinary production would be $3 a day. If he produces only 18 units because he spoils

one or two or wastes some time, the rate is only 13 cents a unit, and his wages for the day would be $2.34. If he produces 23 units of perfect work, the rate is 16 cents a unit and his wages for the day would be $3.68.

Which plan is best? Just which plan is best suited to a particular factory must be determined by the kind of work to be done and other circumstances. It will usually be found impracticable to try to use any but the day rate for some kinds of indirect labor, while production may be stimulated, burden reduced, and sales possibilities increased by adopting one of the other plans for some or all of the direct labor. This, however, is a problem for the manager to decide.

What cost accounting really is. As indicated by the name, cost accounting is a method of finding out how much it costs to make a certain article, or to operate a particular department, or to use a specified process.

For example, a manufacturer may desire a cost system by which he can determine exactly what it costs to make a certain type of desk when that type is made in large quantities; or he may desire a system which will show him just how much it costs to maintain an assembling department, so that he may intelligently decide whether to continue to assemble the desks himself or to sell the parts to another company which does nothing but assemble desks. Or he may desire to know what it costs to mill the lumber for the desks.

The work of cost finding is separate from the entries made for ordinary bookkeeping. In fact, cost accounting may perhaps be called a method of analysis rather than a method of bookkeeping. The information is conveniently gathered with the help of analytical forms, but the results are recorded in books for the sake of permanence. The books in a simple cost set are the cost journal and the cost ledger.

The elements of cost. Costs, therefore, are made up of the raw materials or the purchased parts, the direct labor, the indirect labor, the factory burden, and the general overhead.

By means of requisitions the quantity of raw materials or purchased parts used is determined. How much time each worker puts on a job can be decided by recording that time.

How to distribute indirect costs. In figuring the indirect labor, however, as well as the factory burden and the general overhead, there are several methods used which accomplish their purpose to a more or less satisfactory degree. Since all work going through must bear its proper share of such items of expense as indirect labor, supplies (oils, waste, soap, towels, and so forth), supervision, rent, light, insurance, and other items which go to make up the factory burden, there must be some method by which these charges may be distributed.

Of course, an item which pertains only to a certain department should not be charged or distributed to other departments. For example, depreciation of a machine is a charge against the department in which the machine is used and is not an item to be distributed to the whole plant.

The man-hour method. One method of distribution used is called the man-hour method. The number of men employed in direct labor, multiplied by the number of hours each man works in a day, multiplied by the number of working days in the month, will equal the total number of hours of direct work by the men for the month, or the whole number of man-hours; if, therefore, the sum of all items in the burden is divided by the number of man-hours, the result is the man-hour rate. The number of man-hours used on any job in the department multiplied by this rate will equal the amount of burden to be charged against that job.

In distributing the burden to a department, the number of man-hours used in that department multiplied by the man-hour rate will equal the burden which is to be charged to that department.

In a similar way the rate may be applied to a process. For example, if there are in a department 225 men employed on direct labor, each working 8 hours a day, allowing 26 working days for the month of April, the total number of man-hours would be $225 \times 8 \times 26 = 46{,}800$. If, in this department, the total burden for the month is found to be \$5,850, the man-hour rate would be \$5,850 divided by 46,800, or 12½ cents. If a certain job in this department required the time of two men for a day and a half, the amount of burden which would be charged to that job would be $2 \times 12 \times 12\frac{1}{2}$c, or \$3.

The principal objection to the man-hour rate lies in the fact that it takes no account of the difference in wages paid to the men whose hours are thus taken as a basis for the whole calculation, rendering the results possibly inaccurate and misleading.

The machine-hour method. A rate called the machine-hour rate is obtained by dividing the total number of hours all the machines in a department are operated for the month by the total burden for the same time. The number of hours of machine work which is required on a job multiplied by this rate will be the amount of burden to be charged against that job. If the work done were machine work only, and if the machines were all the same, this would be sufficiently accurate, but when different sizes and types of machines are used it is really no more accurate than the man-hour rate.

In addition to this, there is the objection that much of the work on almost all kinds of articles is not machine work, but bench work, which is omitted altogether in applying the machine-hour rate.

The new machine-hour method. To overcome these objections the machine-hour method has been modified by dividing many of the items usually combined under burden into parts which are apportioned to the various types of direct work done in the department and charged directly to the job, thus reducing to the smallest possible sum the amount which has to be distributed through a rate. For example, the machines of a certain kind are grouped in one part of the floor and called a department, say Department M, and then the floor space occupied by these machines is measured; if that floor space is 1/63 of the floor space of the entire plant, 1/63 of the rent is charged to Department M. In a similar way other charges are divided so that the items left to be distributed by any kind of rate will not amount to enough to make a great deal of difference if the rate should happen to be somewhat inaccurate. This plan is called the new machine-hour method.

The production method. Another method used is called the production method. When the cost is being figured only on the number of units produced, the total amount of burden for a month, divided by the number of units produced will equal a

rate on a unit for the department under consideration. For example, if the total number of pounds produced in the month was 65,750 and the total burden was $2,958.75, the production rate on a pound would be $2,958.75 divided by 65,750, or 4½ cents. On a job which weighs 125 pounds the amount of burden to be charged would be 125×.045, or $5.63.

The labor and material method. In factories where the main item of expense in production is for materials and purchased parts it is sometimes customary to find the rate of burden distribution by dividing the burden by the combined cost of materials, purchased parts, and direct labor.

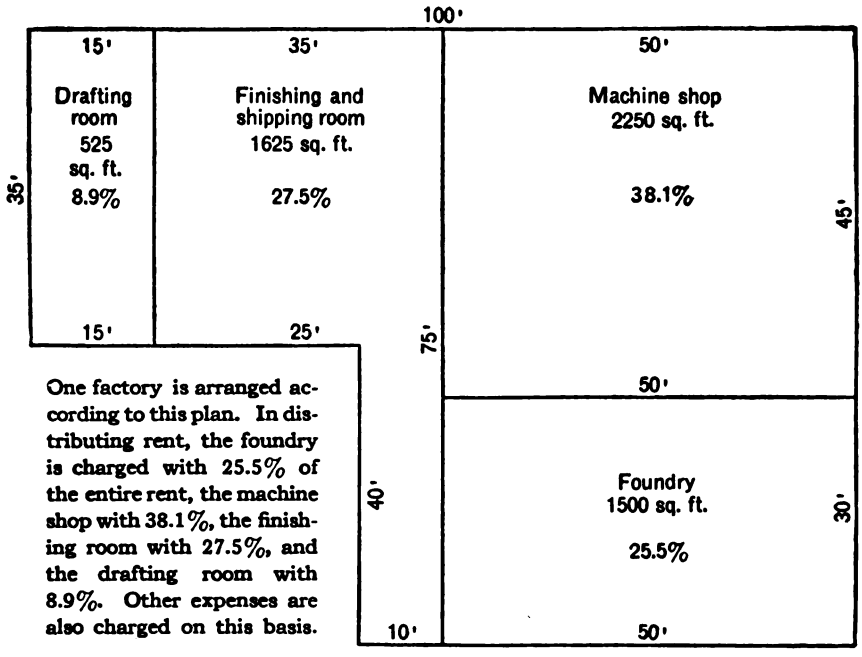
For example, if the total cost of raw materials and purchased parts for the month was $16,456.80 and the total cost for direct labor was $5,485.60, while the total burden was $4,827.33, the rate would be found by dividing the burden, $4,827.33, by the sum of $16,456.80 and $5,485.60, or $21,942.40, which equals .22 or 22%. On a job which required $187.60 worth of materials and purchased parts and $62.53 worth of direct labor, the amount of burden to be charged would be 22% of the sum of these two amounts, or $55.03. This percentage plan may be pursued when using direct labor alone as a basis for distribution under the man-hour method.

Apportioning costs to the departments. Such general expenses as pertain to the administration of the whole plant, including office expenses and salaries, can be distributed in the same way as burden after it has been properly apportioned to the departments. This apportionment may be made on the basis of floor space, time, labor, production, or, in some cases labor and materials combined.

For example, if there are four departments, A, B, C and D, the plant might be arranged as shown in the floor plan of the factory shown on page 210.

If the apportionment is to be made on the basis of floor space, the distribution will be:

8.9% of the overhead to Department A, the drafting room
27.5% of it to Department B, the finishing and shipping room
38.1% of it to Department C, the machine shop
25.5% of it to Department D, the foundry.

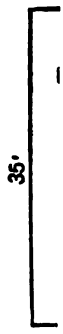


If, however, the apportionment is to be made on the basis of direct labor, supposing the direct labor to have been 1,040 hours in Department A, 3,120 hours in Department B, 9,360 hours in Department C, and 4,160 hours in Department D, or 17,680 hours for the month in all, 5.9% of the overhead would be charged to Department A, 17.6% to Department B, 52.9% to Department C, and 25.6% to Department D.

The percentage of apportionment would also vary from the above if the figuring were on the basis of the amount paid for direct labor instead of the number of hours, and still different results might be obtained if some basis other than floor space or labor were used. Which basis shall be taken must be determined by what is considered by the management fairest in the plant under consideration.

How overhead is distributed. Having been apportioned to the departments, the overhead is then distributed to the units which are produced in the individual department, in the same way that burden is customarily distributed in that particular department.

INSERT II



The following equations show how cost is made up:

Prime Cost = Raw Materials + Purchased Parts + Direct Labor
Factory Cost = Prime Cost + Burden
Gross Cost = Factory Cost + Overhead
Selling Price = Gross Cost + Selling Expense + Profit.

The diagram in the insert shows this in another way.

Under the "new machine-hour method" of distribution it has been suggested that it is possible to divide up many of the items of burden and assign them directly to producing units, thus reducing the amount left for general distribution. Although this is not so simple as some other methods, it is probably the most nearly accurate in the final results and is therefore likely to appeal to accountants and factory managers. The following paragraphs describe some plans in use for direct distribution.

How power is distributed. When power is purchased from outside and conducted directly to each machine through a meter, all that is necessary is the readings of the meter. But the method by which power is secured is not always so simple. If it is furnished by a power plant or by belting or shafting, the number of hours each machine is used during the month, multiplied by the horse-power of the machine, will equal the horse-power hours. The total cost of power for the month, divided by the sum of the horse-power hours of all machines, will equal the rate per horse-power.

The number of hours any machine was used, times the horse-power of that machine, times the rate, will equal the charge for power against that machine. The same method may be used for distributing the cost of power to departments instead of machines.

The ratio of the floor space of a machine, process, or department to the entire floor space of the plant will equal the rate for which it is to be charged with rent.

Figuring depreciation. The cost of a machine divided by its life in running hours equals its depreciation per running hour—provided that at the end of its running time it is worth nothing. If it has a scrap value at the end of its period of usefulness in the factory, its rate of depreciation will equal the difference between its cost and this scrap value, divided by the number of running hours. For example, if a machine costs $1,000 and has a "life"

of 30,000 hours, with a scrap value of $100 at the close of that time, its rate of depreciation will be $900 divided by 30,000 or 3 cents an hour. If this machine ran 208 hours during the month under consideration, its depreciation for that month is $6.24.

Interest on investment. Interest on plant and equipment should be considered as well as that on outstanding obligations. This is called interest on investment and can easily be distributed according to the floor space occupied, like rent. Taxes and insurance can, of course, be distributed in the same way.

Employers' liability insurance. Employers' liability insurance is fixed at a certain percentage of the payroll and so automatically determines the amount to be charged against a department, since it is obtained by multiplying the wages paid in the department by the given rate.

Distributing indirect labor. So far as departments are concerned there is no difficulty in charging the indirect labor to the department in which it is done. If it is to be distributed to the machines, the simplest method is the one suggested under the "new machine-hour method" of grouping the different kinds of work into small departments in order to distribute the indirect labor accurately.

Supervision. Supervision consists of the services of the superintendent and the foremen. The salary of the superintendent should be apportioned according to the number of foremen. Then the sum of each foreman's salary and the part of the superintendent's salary apportioned to him will be chargeable to his department. If this is to be distributed to machines or units, it may be done by a time record kept by each foreman, or, if it seems more desirable, it may be distributed with the rest of the burden.

The light bill. If it is impossible to have a meter for each department, the total light bill for the month may be divided by the number of kilowatts represented by the number of outlets in the whole plant. This rate, multiplied by the total of the outlets of a department, will equal the amount chargeable to that department. For example, if the bill for the month is $70 and the lamps in the office are:

4 of 100 watts each =	400
2 of 60 " " =	120
4 of 40 " " =	160
Total in the office	680
Total in the foundry	2,720
Total in the machine shop	4,930
Total in the drafting room	1,700
Total in the finishing and shipping room	3,570
Total in all departments	13,600

$70 divided by 13,600 = .005147 +, the price per watt outlet. Apportioning the office lights among the other departments, and then multiplying the price per watt outlet by the watt outlets of each department, the bill for the month will be distributed thus:

Foundry	$14.74
Machine shop	26.71
Drafting room	9.21
Finishing and shipping room	19.34
Total, as above	$70.00

Fuel. Fuel used for heating the plant, if heat is supplied from a central furnace, should be apportioned to the departments according to their floor space.

Repairs should be charged, of course, to the department in which they are made.

STANDARD QUESTIONS

Manufacturing

1. What change has taken place in the meaning of the word "manufacture"?
2. Where and how was manufacturing done in the early days?
3. What historical occurrences were the occasion for the rise of factories?
4. What is the difficulty in defining "raw material"?
5. What are purchased parts? Illustrate.
6. What are the factors in making goods? Which do you think is the more important?
7. What is "burden"? Name ten of the items which compose it.
8. What constitutes "overhead"?
9. How does the merchant find the cost of the goods he sells? The selling price?
10. How does the manufacturer find his cost? How does he find his selling price?

STANDARD QUESTIONS

Labor

1. What are the different kinds of labor? Illustrate.
2. What is meant by the day rate of paying wages? Is the day rate a satisfactory plan? How does it result?
3. What is the substance of the piece rate?
4. What objections are raised to the piece rate? Why? How does it work out?
5. Can the objectionable features of the piece rate be eliminated? If so, how?
6. What is the profit sharing plan? When is the profit shared?
7. Do you approve of the profit sharing plan? Why or why not?
8. What is the premium or bonus plan?
9. Explain the differential rate. Illustrate.
10. Which of the wage-paying plans do you think a factory should use? State your reasons.

STANDARD QUESTIONS

Cost accounting

1. How does cost accounting differ from bookkeeping?
2. What is the object of cost accounting? Illustrate.
3. What are the various costs to be considered?
4. What are the books in a simple cost set?
5. How is the cost of raw materials and of purchased parts determined?
6. What is done with the burden in cost accounting?
7. What should the accountant strive to do with as many of the items of expense as possible? Why?
8. What is the man-hour method of distribution? Illustrate.
9. What is the chief objection to the man-hour rate?
10. Describe the machine-hour method of distribution.
11. What are the chief defects of the machine-hour method in your opinion?
12. How has an effort been made to overcome the defects of the machine-hour method? Illustrate. What is this method called?
13. What is the productive method? Illustrate.
14. What is the process in the labor and material method? Illustrate.
15. What is the first process in disposing of the overhead? On what basis is this done? What is the second step in handling the overhead?
16. What does prime cost include?
17. What does factory cost include?
18. What does gross cost include? What does selling price include?

19. Write the formula for costs on the blackboard.
20. What is the process of direct distribution?
21. How is power distributed?
22. How is rent distributed?
23. What other items are distributed like rent?
24. How do you figure depreciation?
25. How is the employers' liability insurance covered?
26. What plan should be pursued with indirect labor?
27. How is supervision distributed?
28. What method can be used for accurate distribution of the charge for light? Illustrate.
29. If someone changed the lamps in one of the departments from 60-watt to 100-watt bulbs, would it make any difference in figuring the distribution? Would it make a difference in the light bill for the month?
30. How should repairs be charged?

PART TWO

ACTUAL BOOKKEEPING

The General Motor Manufacturing Company

The student will now take charge of the books of the General Motor Manufacturing Company, a corporation which manufactures motors only. Heretofore no effort has been made to determine the cost of making the company's product, but now they desire an analysis that will give them this information.

The following is a list of the raw materials on hand, January 1:

	In the stockroom	In process
Castings	$14,486.00	$ 6,514.00
Steel bars	13,853.00	7,147.00
Bolts, nuts, screws, etc	2,982.00	1,218.00
Pig aluminum	37,751.00	14,749.00
Pig iron	22,237.00	9,263.00

The magnetos and carburetors used in the motors are purchased from outside—the magnetos from the Charleris Magneto Co., of Nashville, Tenn., at $55.40 each; the carburetors from the National Specialty Co., of Omaha, Nebr., at $24.40 each. We have on hand in the stockroom 758 magnetos and 696 carburetors, and in process 242 magnetos and 304 carburetors.

The plant site and buildings are owned by an estate which is in the hands of the People's Savings and Trust Co., to whom we pay a monthly rental of $1,000. The equipment of the factory is valued at $81,875 for machines and $7,360 for tools. Office furniture and appliances are

charged at $2,500. The company has on deposit in the First National Bank, subject to check, $97,516.78, and in the safe, $405.12. Direct Labor in Process is debited for $10,633.70; Indirect Labor in Process for $4,123.10.

Supplies for the plant, consisting of oil, waste, sand, soap, towels, and so on, are charged at $1,352.38. Insurance is debited for $1,621.80 and taxes for $1,742.80 for the year. The reserve for depreciation of equipment shows balances as follows: machines, $6,745.75; tools, $865.50; office furniture and appliances, $520. The employers' liability insurance balance is $12,437.28. There are now on hand in the shipping room 63 unsold motors, valued at an estimated cost price of $350 each.

The company's capital stock is $675,000, all of it paid up. The surplus account shows a balance of $2,875.50, and the undivided profits $1,663.34.

The factory consists of four departments—the foundry, employing 70 men in direct labor at an average wage of $5.75 per day and 43 men in indirect labor at an average of $3.25; the machine shop, with 178 men in direct labor, averaging $4.25 each, and 76 men in indirect labor at $3 each; the assembling room, with 39 men in direct labor, averaging $4.50 each, and 27 men in indirect labor, averaging $3 each; the testing and shipping room, with 44 men in direct labor, averaging $4 each, and 8 men in indirect labor, averaging $3 each, making a total of 485 men in the factory.

The general arrangement and dimensions of the factory are indicated in the illustration on page 244.

The bill books show that the following outstanding papers are in our favor:

Note, dated	Nov.	6,	at	60	days,	by	Glenfield & Egan, Louisville, Ky..... $ 8,253.75
"	"	25,	"	45	"	"	The Mercury Auto Mfg. Co., Baltimore, Md..... 2,848.20
"	Dec.	11,	"	30	"	"	Acton & Welsh, Seattle, Wash..... 12,352.00
"	"	18,	"	30	"	"	The Viamotor Co., St. Louis..... 14,652.50
"	"	20,	"	60	"	"	The Bangor Autoboat Co..... 6,025.55

Bills payable are as follows:

Note, dated	Dec.	7,	at	30	days,	to	the Machinists' Supply Co., City..... 835.25
"	"	15,	"	60	"	"	Axline & Baldwin, Chicago, Ill..... 1,000.00
"	Nov.	18,	"	60	"	"	The Charleris Magneto Co..... 845.25

According to our sales ledger, the following are the accounts receivable: The Appleton Motor Car Co., New York, N. Y., $24,286.50; The Bluebell Motor Co., Butte, Mont., $16,482.61; The Automarine Co., San Francisco, Cal., $4,687.10; The Continental Autocar Co., Marseilles, France, $16,943.82; The Argentine Motor Car Co., Buenos Ayres, Argentine Republic, S. A., $20,847.28; The Yuan Ting Foo Car Co., Hong Kong, China, $38,561.23; The Viamotor Co., St. Louis, Mo., $10,467.26; F. Mertillo & Co., Havana, Cuba, $3,268.12; Lopez & Garapitas, Lima, Peru, $2,489.66; The Rotocar Co., New Orleans, La., $18,647.18; Austin & Ballantyne, London, England, $9,467.82; Feldman & Sons, Cincinnati, Ohio, $6,843.69; The Tiptop Motor Car Co., Detroit, Mich., $8,422.75; Burns & Heming, Boston, Mass., $12,386; The Fuji no Yama Autocar Co., Tokio, Japan, $3,184.90; The Lincoln Motor Co., Chicago, Ill., $8,467.45; The Penn Motor Car Co., Philadelphia, Pa., $11,246.23; The Wilton & Ginn Car Co., Atlanta, Ga., $4,287.30; Graves' Autoparts Co., Galveston, Tex., $3,878.10.

Accounts payable are owing to The Charleris Magneto Co., Nashville, Tenn., $2,486.50; The National Specialty Co., Omaha, Neb., $1,673.20; The Lehigh Iron and Steel Co., Pittsburgh, Pa., $2,165.83; The Corundum Castings Co., Denver, Colo., $873.56; The Machinists' Supply Co., City, $264.81.

The student should make a trial balance from this information. He will find that the books are not exactly in balance. In order to clear this, an account should be opened in the general ledger headed "Discrepancy," entering this difference there.

When to use the discrepancy account. This is an incident which should never be necessary in the keeping of books. There is only one condition which makes it excusable and that is the one arising here. A set of books is placed in the hands of an incoming accountant and when he goes through them he finds them out of balance; there is no one to whom he can go for information as to the possible source of the discrepancy; the only thing he can do is to open an account with it and head it as here suggested. Later in his connection with the business he may, with the full knowledge and consent of the officers of the company, transfer enough of the undivided profits to this account to make it balance. No error or oversight in his own work should ever be allowed to creep into this account, no matter what the temptation.

A word about certain books. Some of the books used in a corporation have been illustrated in the wholesale grocery business. To avoid unnecessary protraction of the work in that

business some books were not even mentioned. As pointed out there, the business of a corporation is carried on by the manager, who receives his instructions from the board of directors. The record of the proceedings of the board is made by the secretary in the minute book, which thus becomes the official original authority. The student will not be required to write up a minute book, nor to use the stock certificate book and the stock ledger, since they have been shown previously. Another book which will be omitted is the dividend book in which are recorded the amounts of dividends declared and the payments of dividends.

Some books to be used. In cost accounting the permanent record of the cost analysis is made after the transactions have been recorded in the usual way. When it is possible to reduce the amount of extra work by distributing as much as possible of the analysis in the original entries, time and expense will, of course, be saved. The motor company uses a receiving cash journal and a disbursing cash journal very much like those used by the Union Grocery Co. In the disbursing cash journal are added four special columns for "Direct Labor," "Indirect Labor," "Burden," and "Overhead." The direct labor and indirect labor columns will also be subdivided into the four departments represented in the factory of the General Motor Manufacturing Co. By this method a large part of the distribution is accomplished when the entry is made.

Instead of the usual types of sales book and invoice or purchase book, these will be kept in the form of registers showing raw materials and purchased parts in separate columns, thus providing another aid in the analysis.

The perpetual inventory. An analytical daily record of raw materials and purchased parts will be kept to show the value of each kind of raw material and purchased part on hand in the stockroom at the opening of each day's work, the amount of each in process of manufacture as indicated by the requisitions over the foremen's signatures, the amount added by incoming purchases and by returns from what had previously been taken from the stockroom. From these items the balance for the day is found, and this carried forward to the opening of the next day as the amount in stock.

The purchase ledger, sales ledger, general ledger, and bill books will be kept as usual.

Instructions for billing. If billing machines are at the command of the student, he should make out all bills to customers in triplicate, each copy being on a page of different color. By placing a longer sheet of paper at the bottom, under the three, a complete record of the sales is made at the same time. All of this is accomplished by the use of carbon paper, so that the writing is done but once. This makes possible, it is obvious, a considerable saving of time and labor.

In a large office the sales sheet and the third copy of the bill go to the statistical department, where summaries are made on listing machines. These summaries then go to the controlling bookkeeper who checks them against the second copies of the bills sent directly to him. The original or top copy of the bill is sent directly to the customer.

From the statistical department the sales sheets, after being stamped with a rubber stamp to indicate their classification, pass to the operators of the card-punching machine. In no part of office work are these machines found of more service than in the finding of costs. The facility with which the sorting can be accomplished and the results tabulated make this the ideal way in which to find these results.

In some offices the statements to customers are started early in the month, items of account as it stands when the statement is started being entered and the statement placed in the ledger with the account. Additional entries are made in the ledger sheet through the month on the bookkeeping machine, and by placing the statement on the ledger sheet, over a carbon, and the new bill on that, over another carbon, the item is entered on all three at once. Incoming cash and other entries are kept up to date in a similar way. At the close of the month many of the statements are already complete, and the task of completing the others is a short one. In this way the statements to customers go out promptly on the first of the month, an important item in getting payments in on time.

Where the student does not have access to machines there will probably be no occasion to make more than one copy of the bill in each case.

A word of caution. A word of caution regarding the check book. Occasionally there is a tendency to neglect the stub and either to fail to fill it out or, if an error has been made, to continue the work without correcting it. A habit of this kind is likely to persist, and is almost certain to cause serious trouble, and financial loss, eventually. Each check should be carefully made, and the stub should be filled out first without fail. If an error occurs, it should be found and corrected at once.

ACTUAL BOOKKEEPING

Transactions of the General Motor Manufacturing Company for January

Jan. 2. Paid by check to the People's Savings and Trust Co. the rent for January; $60 of this amount is to be entered as office rent, the balance as applying to the rest of the plant.

Received from the Appleton Motor Car Co. their check on account for $4,350; from the Tiptop Motor Car Co., $2,125; from the Rotocar Co., $4,870.25.

Our receiving clerk reports the arrival yesterday from the Corundum Castings Co., Denver, Colo., invoice No. 892, our order No. 1,244, dated Dec. 16, of 17½ T. of castings @ $300 per T. Terms, on account.

Placed on board for Austin & Ballantyne, London, England, on their order No. 2,964, dated Dec. 5, our bill No. 666, via N. Y. C. and the Anglo-American S. S. lines, 20 motors @ $500. Terms, 90 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$398.20	$21.50
Steel bars	408.50	27.40
Bolts, nuts, screws, etc.	83.75	8.35
Pig aluminum	987.20	42.10
Pig iron	841.70	94.60
Purchased parts		
Magnetos	21	1
Carburetors	16	4

Jan. 3. Received from the Continental Autocar Co., Marseilles, France, bill of exchange for $5,790; from the Wilton & Ginn Co., Atlanta, Ga., their remittance by New York draft for $4,067.30.

Sent a draft on the First National Bank of Omaha, to the Corundum Castings Co. for $873.56.

Paid the Ben Franklin Press, City, for stationery, by check, $100.

Paid railroad fare by check to cash for the secretary, $183.80.

Paid the Brigdon Advertising Agency by check, $500.

Paid for local street car tickets for use of the office force in cash, $6.

Placed on board for Lopez & Garapitas, Lima, Peru, on their order No. 385, dated Dec. 9, our bill No. 667, via N. Y. C. and the Nasa S. S. lines, 15 motors @ $500. Terms, 120 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$412.60	$33.40
Steel bars	395.50	18.10
Bolts, nuts, screws, etc.,	86.25	10.00
Pig aluminum	1,012.80	66.30
Pig iron	823.90	83.50
Purchased parts		
Magnetos	19	0
Carburetors	20	2

Jan. 4. Paid for printing by check to the Ben Franklin Press, $45.75. Paid annual dues to the Chamber of Commerce $15 and to the National Manufacturers' Association $50.

Received checks or drafts from customers as follows: The Bluebell Motor Co., $2,411.35; Graves' Autoparts Co., $1,000; The Appleton Motor Car Co., $5,550.50.

Our receiving clerk reports the arrival yesterday of invoice No. 14,983, on our order No. 1,243, dated Dec. 15, 1 carload, 20 T., of bar steel @ $101 per T., from the Lehigh Iron & Steel Co., Pittsburgh, Pa.

Placed on board for Burns & Heming, Boston, Mass., on their order No. 598, dated Dec. 23, our bill No. 668, via Nickel Plate & N. Y., N. H. & H., 10 motors @ $500. Terms, 60 days, 2% 10 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$418.30	$41.70
Steel bars	409.20	32.60
Bolts, nuts, screws, etc.	82.40	6.25
Pig aluminum	987.50	41.80
Pig iron	836.80	85.70
Purchased parts		
Magnetos	20	1
Carburetors	23	4

Jan. 5. Received a bank draft from Louisville, Ky., for the note due today, from the Produce Exchange Bank to whom we have sent it for collection, less ⅛ of 1% collection charges.

Received a bill of exchange from the Argentine Motor Car Co., Buenos Ayres, S. A., for $12,629.75 on account.

Paid the Electric Illuminating Co., by check, electric light bill for one month, $52, $3.80 of it being for the office.

Our receiving clerk reports the arrival by local delivery today of invoice No. 379, on our order No. 1,248, dated Jan. 3, from the Machinists' Supply Co., of this city, 17½ cwt. of bolts, nuts, and screws, @ $12 per cwt.

Placed on board for the Automarine Co., San Francisco, Cal., on their order No. 741, dated Dec. 18, our bill No. 669, via the A. T. & S. F., 10 motors @ $500. Terms, 30 days.

Placed on board for Feldman & Sons, Cincinnati, Ohio, on their order No. 11,247, dated Dec. 22, our bill No. 670, via the N. Y. C. lines, 12 motors @ $500. Terms, 30 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$409.90	$30.60
Steel bars	385.70	7.50
Bolts, nuts, screws, etc.	77.75	2.25
Pig aluminum	1,000.00	54.50
Pig iron	796.80	48.80
Purchased parts		
Magnetos	21	1
Carburetors	19	0

Jan. 6. Received from the Rotocar Co., New Orleans, a draft for $8,194.25 on account.

Paid by check our note due today to the Machinists' Supply Co.

Placed on board for F. Mertillo & Co., Havana, Cuba, on their order No. 538, dated Dec. 11, our bill No. 671, via the Pennsylvania R. R., and the Coastal S. S. lines, 5 motors @ $500. Terms, 60 days.

Drew cash from the bank by check and paid wages for the week (5 days) as follows:

Direct labor: foundry, $2,012.50; machine shop, $3,782.50; assembling room, $877.50; testing and shipping room, $880.

Indirect labor: foundry, $698.75; machine shop, $1,140; assembling room, $405; testing and shipping room, $120.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$411.40	$33.10
Steel bars	399.90	22.00
Bolts, nuts, screws, etc.	85.40	9.80

Stockroom report for the day, continued

Raw materials	Requisitions	Returns
Pig aluminum	$950.40	$5.50
Pig iron	748.10	
Purchased parts		
Magnetos	19	0
Carburetors	18	0

Jan. 8. Paid for postage stamps in cash, $43.50.

Paid the City Telephone Exchange, by check, for the office telephones for the month, $17.

As a result of frozen steam and water pipes in the office, pay the E. B. Doty Plumbing Co., by check, for repairs $185.75.

Paid sundry expense bills for the factory by check to cash, $263.54.

Received a bill of exchange from the Argentine Motor Car Co., Buenos Ayres, S. A., for $5,000 on account; check from the Appleton Motor Car Co., New York, N. Y., for $4,572.60 on account.

Our receiving clerk reports the arrival day before yesterday of a car containing 10 T. of pig aluminum from the Pittsburgh Reduction Co., Pittsburgh, Pa., on our order No. 1,245, dated Dec. 16, billed to us on invoice No. 16,529, @ 37c a lb.

Placed on board for the Appleton Motor Car Co., New York, N. Y. on their order No. 12,348, dated Dec. 27, our bill No. 672, via the N. Y., C. lines, 25 motors @ $500. Terms, 1/10, N/30.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$391.60	$15.80
Steel bars	386.50	11.80
Bolts, nuts, screws, etc.	80.50	8.40
Pig aluminum	963.90	21.70
Pig iron	962.30	20.10
Purchased parts		
Magnetos	18	1
Carburetors	17	1

Jan. 9. Drew check in favor of cash and paid sundry factory expense bills, $86.41.

Received a check from the Third National Bank, of Baltimore, for the note due today, less ⅛ of 1% for collection charges.

Received a check from Burns & Heming, Boston, Mass., in full for the balance of their account to Jan. 1.

Sent a check for $5,000 on account to the Pittsburgh Reduction Co.

A letter from Burns & Heming informs us that one of the motors shipped to them on the 4th was damaged in transit; they state that they have had to pay a machinist $65 to have it restored to first-class running order. Write them a letter informing them that we have credited their account with an allowance of $65.

Paid by check to J. P. Andrus, Agent, freight bills amounting to $112.60.

Placed on board for the Viamotor Co., St. Louis, Mo., on their order No. 427, dated Jan. 2, our bill No. 673, via the Big Four Railroad, 18 motors @ $500. Terms, on account.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$418.60	$48.20
Steel bars	370.70	2.10
Bolts, nuts, screws, etc.	76.30	4.80
Pig aluminum	937.90	
Pig iron	787.50	48.30
Purchased parts		
Magnetos	19	0
Carburetors	19	0

Jan. 10. Received from the Sunset Savings and Trust Co., of Seattle, Wash., a bank draft in payment of the note of Action & Welsh, due today, less ½ of 1% for collection.

Received from the Yuan Ting Foo Car Co., of Hong Kong, China, a bill of exchange for $8,000 on account.

Paid by check to the Alta Machine Manufacturing Co., of Chicago, Ill., $3,165 for 3 new machines to replace 3 worn machines in the machine shop. The displaced machines cost, when they were purchased, $2,766; they are now sold to a junk dealer for $195, or $65 each.

Our receiving clerk reports the arrival on Monday of 246 T. 105 lbs. of pig iron, invoice No. 12,875, on our order No. 1,246, dated Dec. 18, from the Lehigh Iron and Steel Co., Pittsburgh, Pa., @ $38 per T.

Placed on board for the Tiptop Motor Car Co., Detroit, Mich., on their order No. 496, dated Jan. 2, our bill No. 674, via the C. R. I. & P. and the C. & D. S. S. lines, 25 motors @ $500. Terms, 1/10, N/30.

Stockroom report for the day

Raw Materials	Requisitions	Returns
Castings	$412.30	$34.20
Steel bars	409.60	31.80
Bolts, nuts, screws, etc.	79.20	4.40
Pig aluminum	1,010.70	64.90
Pig iron	821.50	74.20

Stockroom report for the day, continued

Purchased Parts	Requisitions	Returns
Magnetos	20	2
Carburetors	19	2

Jan. 11. Received from the Viamotor Co., St. Louis, Mo., a check to balance their account to Jan. 1.

Paid by check for printing done by the Benjamin Franklin Press, $54.25.

Drew by check from the bank $200 for current office running expenses.

Paid in currency $30 for postage stamps.

Paid bill of the Black Diamond Coal Co. by check, $450; $50 of this is to be charged to the office, and the rest to the factory.

Placed on board for the Fuji no Yama Autocar Co., Tokio, Japan, on their order No. 525, dated Dec. 2, our bill No. 675, via the Union Pacific R. R. and the Nippon Maru S. S. Lines, 50 motors @ $500. Terms, 120 days.

Stockroom report for the day

Raw Materials	Requisitions	Returns
Castings	$415.60	$37.50
Steel bars	396.80	17.90
Bolts, nuts, screws, etc.	91.50	15.90
Pig aluminum	1,012.70	67.70
Pig iron	769.40	22.50
Purchased Parts		
Magnetos	20	0
Carburetors	18	1

Jan. 12. Received from Burns & Heming check for the bill sold them Jan. 4, less discount; from the Continental Autocar Co., Marseilles, France, $9,153.82; from the Bluebell Motor Co., Butte, Mont., $5,946.18.

Paid the Ferro-Steel Co. for repairs in the machine shop, $365.75, in the foundry, $67.90.

Paid J. P. Andrus, agent, freight bills, $126.80.

Paid for street car tickets in cash, $7.

Our receiving clerk reports the arrival yesterday of 250 carburetors from the National Specialty Co., of Omaha, Neb., on our order No. 1,247, dated Dec. 19, invoice No. 1,356. Terms, 1/10, N/60.

Placed on board for the Rotocar Co., New Orleans, La., on their order No. 376, dated Jan. 2, our bill No. 676, via the L. & N. and Miss. S. S. lines, 30 motors @ $500. Terms, 1/10, N/60.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 391.80	$ 13.20
Steel bars	377.60	
Bolts, nuts, screws, etc.	86.70	11.80
Pig aluminum	1,044.50	101.60
Pig iron	823.00	75.90
Purchased parts		
Magnetos	21	2
Carburetors	24	7

Jan. 13. Received from the Fuji no Yama Autocar Co., Tokio Japan, a bill of exchange for the balance of their account to Jan. 1.

Paid to Ladislav Kutno, in settlement of his claim for injuries received in the machine shop, Dec. 8, $1,575.50.

Paid half the month's salaries of the office force, as follows: manager, $275; assistant manager, $141.50; secretary, $150; treasurer, $125; bookkeepers, $75+$50+$40; stenographers, $62.50+$50+3 @ $35; office messengers, 2 @ $19.50.

Drew cash from the bank by check and paid the workmen in currency, wages as follows:

Direct labor: foundry, $2,415; machine shop, $4,539; assembling room, $1,053; testing and shipping room, $1,056;

Indirect labor: foundry, $838.50; machine shop, $1,368; assembling room, $486; testing and shipping room, $144.

Received a report from Feldman & Sons, Cincinnati, that the 12 motors shipped to them on the 5th were damaged to the extent of $70 because of defective packing. We notify them by letter that we shall make them an allowance of that amount.

Our receiving clerk reports the arrival today of 150 magnetos from the Charleris Magneto Co., Nashville, Tenn., on our order No. 1,249, dated Jan. 5, invoice No. 1,488. Terms, 30 days.

Placed on board for the Wilton & Ginn Co., Atlanta, Ga., on their order No. 1,321, dated Jan. 6, our bill No. 677, via the G. C. & N. R. R., 10 motors @ $500. Terms, 30 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 411.00	$33.00
Steel bars	401.60	21.70
Bolts, nuts, screws, etc.	82.40	6.80
Pig aluminum	1,001.70	55.30
Pig iron	811.20	62.90

Stockroom report for the day, continued

Purchased parts	Requisitions	Returns
Magnetos	21	2
Carburetors	20	2

Before proceeding with the next week's work, the student should take a trial balance as a test of the correctness of his work to this point.

STANDARD QUESTIONS

Transactions of the General Motor Manufacturing Company

1. What are the raw materials used in the manufacture of the motors?
2. Of what kind of factories would these raw materials be "finished products"?
3. What are the purchased parts? Explain the function of each.
4. Do you consider the plant well arranged as to (a) light; (b) convenience; (c) shipping facilities? Why or why not?
5. What is peculiar about the trial balance at the opening of this section?
6. How can this peculiarity be remedied?
7. How is the business of a corporation carried on?
8. What is the final record of authority? Who makes it?
9. What records are kept in the dividend book?
10. How are the records of sales and purchases kept in this chapter?
11. What information do we find in the daily record of raw materials and purchased parts?
12. How is the billing done with a machine?
13. What type of machine is especially valuable in cost accounting?
14. What plan aids in sending statements out promptly? Why is this important?
15. What bad habit in connection with the check book should be avoided?

PART THREE

Jan. 15. Sent our check to the National Specialty Co., Omaha, Nebraska, to cover their invoice No. 1,356, less discount.

Received from Feldman & Sons, Cincinnati, Ohio, their note at 30 days with interest for $7,773.69.

Received a check from the Appleton Motor Car Co., New York, for $7,250 on account.

Placed on board for the Continental Autocar Co., Marseilles, France, on their order No. A1,342, our bill No. 678, via the N. Y. Central R. R. and the Franco-American S. S. lines, 25 motors @ $500. Order dated Jan. 2. Terms, 90 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 412.50	$ 34.40
Steel bars	398.80	20.60
Bolts, nuts, screws, etc.	81.10	5.50
Pig aluminum	1,110.90	175.90
Pig iron	824.70	77.40
Purchased parts		
Magnetos	23	1
Carburetors	24	0

Jan. 16. Burns & Heming inform us by letter that 2 of the 10 motors shipped to them Jan. 4 when put into service overheated. When examined it was found that the bearings had been assembled without lubrication and that the bearings were scored so that the motors had to be torn down and practically rebuilt. They claim an allowance of $120 on the 2 motors. Write them a letter making the allowance for which they ask.

Paid by check to the manager, S. R. Elson, expenses of a trip to South America and return, $404.95.

Received from F. Mertillo & Co., Havana, Cuba, bill of exchange for $3,268.12 on account.

Our receiving clerk reports the arrival this morning of 17½ T. of castings from the Corundum Castings Co., Denver, Colo., on their invoice No. 925, our order No. 1,250, dated Jan. 5, @ $300 per T. Terms, on account.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 401.60	$23.70
Steel bars	410.20	31.80
Bolts, nuts, screws, etc.	82.70	7.10
Pig aluminum	1,037.90	92.60
Pig iron	831.10	82.10
Purchased Parts		
Magnetos	23	0
Carburetors	25	2

Jan. 17. Paid by check to the Fourth National Bank our note of Nov. 18, to the Charleris Magneto Co., which they have sent to this bank for collection.

Accepted the Lehigh Iron & Steel Co's draft on us at 15 days' sight, with interest at 6%, in favor of Dicksee & Leicester, for $8,423.50.

Received a check from the Rotocar Co. for $10,000 on account.

Received a check from the First National Bank for the amount of the Viamotor Co.'s note due today, less ¼ of 1% and 23c for revenue stamps used in making the collection.

Placed on board for the Penn Motor Car Co., Philadelphia, Pa., on their order No. 2,142 dated Jan. 12, our bill No. 679, via the P. R. R., 20 motors @ $500. Terms, on %.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 395.30	$ 17.50
Steel bars	401.50	23.30
Bolts, nuts, screws, etc.	83.30	7.70
Pig aluminum	1,046.10	101.30
Pig iron	819.90	72.70
Purchased Parts		
Magnetos	23	0
Carburetors	23	1

Jan. 18. Paid to the De Vinne Printing and Engraving Co., for printing, $25 by check.

Drew a check in favor of "Cash" or "Bearer" for $42.18 to replace items used from the petty cash imprest fund.

Bought for cash from the Standard Tool Co., paying them by check, invoice of tools to take the place of others which have disappeared or been worn out in the machine shop, $562.50.

Received from the Yuan Ting Foo Car Co., Hong Kong, China, bill of exchange for $14,500 on account.

Our receiving clerk reports the arrival yesterday of invoice No. 15,134, on our order No. 1,251, dated Jan. 5, 2 carloads, 53 T., 1920.8 lbs., of bar steel @ $101 per T., from the Lehigh Iron & Steel Co., Pittsburgh, Pa.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$421.80	$43.70
Steel bars	412.90	34.80
Bolts, nuts, screws, etc.	85.60	10.00
Pig aluminum	998.10	53.00
Pig iron	832.50	85.60
Purchased parts		
Magnetos	22	0
Carburetors	24	0

Jan. 19. Received from the Fuji no Yama Autocar Co., Tokio, Japan, bill of exchange for $13,250 on account.

Placed on board for Burns & Heming, Boston, Mass., on their order No. 624, dated Jan. 12, our bill No. 680, via the Nickel Plate and the New York, New Haven, and Hartford R. R., 25 motors @ $500. Terms, 30 days.

Paid in cash for local street car tickets, $6.50.

Paid freight bill to J. P. Andrus by check, $131.40.

Paid by check to the Enterprise Advertising Agency, $300.

Our receiving clerk reports the arrival yesterday of 13T. 946 lbs. of pig aluminum from the Pittsburgh Reduction Co., Pittsburgh, Pa., on their invoice No. 16,641, our order No. 1,252, dated Jan. 6, @ $740 per T. Terms, on %.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 413.80	$35.90
Steel bars	401.60	23.70
Bolts, nuts, screws, etc.	80.90	6.00
Pig aluminum	1,012.30	67.40
Pig iron	792.50	45.60
Purchased parts		
Magnetos	21	0
Carburetors	30	6

Jan. 20. Returned to the Charleris Magneto Co., 3 magnetos received Jan. 13 on account of such defects in construction as we are unable to remedy.

Paid by check to cash, sundry factory expense bills amounting to $85.75.

Paid to Webster & Co. by check for repairs to the shipping platform, $410.50.

Our receiving clerk reports the arrival yesterday from the Charleris Magneto Co., Nashville, Tenn., on their invoice No. 1,501, our order No. 1,253, dated Jan. 7, of 150 magnetos @ $55.40. Terms, 30 days.

Received from Austen & Ballantyne, London, England, bill of exchange for $12,460.

Drew cash from the bank by check and paid the workmen in currency, wages as follows:

Direct labor: foundry, $2,304.89; machine shop, $4,428.75; assembling room, $1,042.50; testing and shipping room, $1,045.80;

Indirect labor: foundry, $827.25; machine shop, $1,257.67; assembling room, $475.90; testing and shipping room, $133.33.

Placed on board for the Yuan Ting Foo Car Co., Hong Kong, China, on their order No. 419, dated Dec. 29, our bill No. 681, via the Santa Fe

R. R. and the Taku Maru S. S. Lines, 20 motors @ $500. Terms, 90 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 419.80	$41.90
Steel bars	409.40	31.50
Bolts, nuts, screws, etc.	81.70	5.10
Pig aluminum	1,041.10	96.20
Pig iron	827.30	80.60
Purchased parts		
Magnetos	24	1
Carburetors	25	0

Prove cash at this point, and if so directed by the instructor, make a trial balance also. The cash on hand and in bank at the close of business on the 20th is $252,927.90.

Jan. 22. Paid in cash for street car tickets, $6.50.

Sent a check on account to the Charleris Magneto Co., for $15,000.

Paid to the City Electric Illuminating Co., for power for the month, by check, $2,190.42.

Received from the Penn Motor Car Co., Philadelphia, Pa., on account, a check for $11,246.23.

Our receiving clerk reports the arrival on Saturday of 300 T. of pig iron from the Lehigh Iron & Steel Co., Pittsburgh, Pa., their invoice No. 15,238, our order No. 1,254, dated Jan. 8, @ $38 per T. Terms, on %.

Placed on board for the Wilton & Ginn Car Co., Atlanta, Ga., on their order No. 1,342, our bill No. 682, via the Georgia Central & Northern R. R., 10 motors @ $500. Order dated Jan. 15. Terms, 30 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 411.70	$33.70
Steel bars	389.50	11.60
Bolts, nuts, screws, etc.	81.40	5.80
Pig aluminum	1,032.20	87.10
Pig iron	801.50	54.40
Purchased parts		
Magnetos	22	0
Carburetors	24	1

Jan. 23. Made a check, payable to cash, for $45 to replace money spent from the petty cash imprest fund.

Received a bill of exchange for $6,000 from the Yuan Ting Foo Car Co., of Hong Kong, China.

Placed on board for the Lincoln Motor Co., Chicago, Ill., on their order No. 1,684, dated Jan. 15, our bill No. 683, via the Big Four R. R., 20 motors @ $500. Terms, 30 days.

Our receiving clerk reports the arrival today of 30 T. of bar steel from the Lehigh Iron & Steel Co., Pittsburgh, Pa., on their invoice No. 15,246, our order No. 1,255, dated Jan. 10 @ $101 per T. Terms, on %.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$419.90	$41.80
Steel bars	401.20	23.10
Bolts, nuts, screws, etc.	85.10	9.50
Pig aluminum	998.80	53.70
Pig iron	789.70	42.60
Purchased parts		
Magnetos	22	0
Carburetors	24	1

Jan. 24. Sent a check to the Lehigh Iron & Steel Co., Pittsburgh, Pa., for $10,000 on account.

Paid the De Vinne Printing & Engraving Co., by check, for printing, $25.

Received from the Continental Autocar Co., Marseilles, France, a bill of exchange for $6,000.

Received from the Appleton Motor Car Co., New York, their check for $5,063.40 on account.

Received from Graves' Autoparts Co., Galveston, Texas, their check for $1,582.10 on account.

Our receiving clerk reports the arrival today of 250 carburetors from the National Specialty Co., Omaha, Nebr., on their invoice No. 1,399, our order No. 1,256, dated Jan. 10, @ $24.40. Terms, 1/10, N/60.

Placed on board for the Argentine Motor Car Co., Buenos Ayres, Argentine Republic, S. A., on their order No. 856, dated Jan. 5, our bill No. 684, via the New York Central and Nasa S. S. lines, 25 motors @ $500. Terms, 60 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$379.00	
Steel bars	396.70	$18.80
Bolts, nuts, screws, etc.	86.10	10.50
Pig aluminum	999.20	54.30

Stockroom report for the week, continued

Raw materials	Requisitions	Returns
Pig iron	801.59	53.60
Purchased parts		
Magnetos	25	2
Carburetors	24	0

Jan. 25. Paid salaries and expenses of the salesmen for the month as follows: C. J. Thomas, sales manager, $819.75; W. B. Hall, $387.50; C. J. Jones, $362.85; A. J. Martin, $416.90; P. C. Doty, $398.50; L. M. Vinton, $510.75; J. M. Knight, $486.60; C. L. Garcia, $326.80; J. S. Wassilko, $312.80; B. F. Kozminski, $177.55.

Sent a check to the Corundum Casting Co., Denver, Colo., for $10,500 on account.

Received a check from the Lincoln Motor Car Co., of Chicago, Ill., on account, $8,467.45.

Placed on board for the Bluebell Motor Co., Butte, Montana, on their order No. 487, dated Jan. 15, our bill No. 685, via the Northern Pacific R. R., 10 motors @ $500. Terms, 30 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 409.60	$31.50
Steel bars	402.10	24.20
Bolts, nuts, screws, etc.	83.70	8.10
Pig aluminum	1,012.80	67.90
Pig iron	816.30	69.40
Purchased parts		
Magnetos	24	0
Carburetors	25	2

Jan. 26. Sent a check to the Pittsburgh Reduction Co., on account, for $12,000.

Paid in cash for postage stamps, $39.

Paid by check to Webster & Co., for repairs in the assembling room, $279.65.

Received from Lopez & Garapitas, Lima, Peru, a bill of exchange for $5,000 on account.

Received from the Tiptop Motor Car Co., Detroit, Mich., their check for $6,842 on account.

Placed on board for F. Mertillo & Co., Havana, Cuba, on their order No. 546, dated Dec. 31, our bill No. 686, via the Pennsylvania R. R. and the Coastal Steamship lines, 15 motors @ $500. Terms, 60 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 388.20	$10.10
Steel bars	396.30	18.20
Bolts, nuts, screws, etc.	89.50	24.80
Pig aluminum	1,008.40	63.30
Pig iron	811.70	64.60
Purchased parts		
Magnetos	23	1
Carburetors	22	0

Jan. 27. Paid freight bills to J. P. Andrus by check, $101.41.

Paid by check, salaries for the month as follows: Supt. L. L. Jones, $234; foreman of the foundry, C. L. Carson, $175; foreman of the machine shop, E. B. Upton, $150; foreman of the assembling room, J. C. Mitchell, $175; foreman of the testing and shipping room, W. B. Smith, $175.

Drew from the bank by check to cash, and paid the workmen in currency, wages as follows:

Direct labor: foundry, $2,525.11; machine shop, $4,649.25; assembling room, $1,063.50; testing and shipping room, $1,066.20;

Indirect labor: foundry, $849.75; machine shop, $1,478.23; assembling room, $496.10; testing and shipping room, $154.67.

Paid office salaries for the second half of the month, $1,113.

Received from Burns & Heming their check for $9,850.

Our receiving clerk reports the arrival yesterday of 11 T. 1,999.95 lbs. of pig aluminum from the Pittsburgh Reduction Co., Pittsburgh, Pa., on their invoice No. 16,856, our order No. 1,257, dated Jan. 12, @ 37c per lb. Terms, on %.

Placed on board for the Lincoln Motor Car Co., Chicago, Ill., on their order No. 1,692, dated Jan. 19, our bill No. 687, via the Big Four R. R., 25 motors @ $500. Terms, 30 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 420.00	$42.00
Steel bars	417.60	39.60
Bolts, nuts, screws, etc.	83.30	7.70
Pig aluminum	1,027.80	82.80
Pig iron	810.10	63.10
Purchased parts		
Magnetos	20	0
Carburetors	22	1

Prove cash. The amount on hand and in bank at the close of business on the 27th is $244,287.29.

Jan. 29. Drew a check, payable to cash or bearer, and paid sundry expense bills for the factory, $72.51.

Received from F. Mertillo & Co., Havana, Cuba, a bill of exchange for $1,500 on account.

With the consent of the board of directors, an entry is made in the books debiting the undivided profits account and crediting Discrepancy for the error which was found in the books at the opening of the month.

Sent a check to the Lehigh Iron & Steel Co., Pittsburgh, Pa., on account for $12,452.33.

Our receiving clerk reports the arrival today of 200 magnetos from the Charleris Magneto Co., Nashville, Tenn., on our order No. 1,258, dated Jan. 15, their invoice No. 1,556, @ $55.40. Terms, 30 days.

Placed on board for Feldman & Sons, Cincinnati, Ohio, on their order No. 11,301, dated Jan. 20, our bill No. 688, via the New York Central lines, 25 motors @ $500. Terms, 30 days.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 608.50	$ 4.19
Steel bars	451.40	11.20
Bolts, nuts, screws, etc.	82.45	21.30
Pig aluminum	1,015.30	10.30
Pig iron	678.50	22.20
Purchased parts		
Magnetos	8	0
Carburetors	11	0

Our receiving clerk reports the arrival by local delivery of 7 T. 1,750 lbs. of bolts, nuts, screws, etc., from the Machinists' Supply Co., City, on their invoice No. 428, our order No. 1,262, dated Jan. 23, @ 12c a lb. Terms on %.

Jan. 30. Received from the Fuji no Yama Autocar Co., Tokio, Japan, a bill of exchange for $8,750 on account.

Placed on board for the Bluebell Motor Co., Butte, Montana, on their order No. 519, dated Jan. 18, our bill No. 689, via the Northern Pacific Railroad, 25 motors @ $500. Terms, 30 days.

Sent a check to the National Specialty Co., Omaha, Nebr., for invoice No. 1,399 received Jan. 24, less discount.

Sent a check to the Machinists' Supply Co., City, for $2,364.81.

Paid for supplies for the factory by check to the Sanitary Supply Co., $212.19.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 612.80	$ 8.50
Steel bars	447.60	7.40
Bolts, nuts, screws, etc.	78.25	17.10
Pig aluminum	1,021.20	16.10
Pig iron	691.80	35.50
Purchased parts		
Magnetos	8	0
Carburetors	11	0

Jan. 31. The Viamotor Co., St. Louis, Mo., have just discontinued the manufacturing department of their business, and have returned to us by prepaid freight 5 of the motors sold to them Jan. 9.

Received from the Automarine Co., San Francisco, Cal., their check for $4,687.10 on account.

Sent our check to the Pittsburgh Reduction Co., Pittsburgh, Pa., for $5,000 on account.

Placed on board for Graves' Autoparts Co., Galveston, Texas, on their order No. 659, dated Jan. 22, our bill No. 690, via the "Katy" line, 30 motors @ $500. Terms, 2/10, N/30.

Stockroom report for the day

Raw materials	Requisitions	Returns
Castings	$ 605.30	
Steel bars	440.20	
Bolts, nuts, screws, etc.	81.35	$20.40
Pig aluminum	1,018.40	13.40
Pig iron	712.60	56.20
Purchased parts		
Magnetos	10	0
Carburetors	12	0

When all these transactions have been entered and posted, the student should prove cash; the amount on hand and in the bank is $233,083.55.

Posting from books of original entry. All the columns of the receiving cash journal and the disbursing cash journal should be footed; the footings of the special columns, not already posted, should be carried to the accounts indicated in the headings of those columns. Care should be exercised to make sure that all footings which should be posted are carried to the proper accounts.

The purchase ledger and the sales ledger accounts should be footed and the footings should prove the controlling accounts of these ledgers in the general ledger. A controlling account which does not control is worse than none at all.

The student should now make the first trial balance for January 31. This will still show that several of the accounts have the same balances as at the beginning of the month.

Analyzing the costs. By the use of special columns in the cash journals, the amount of distribution has been reduced so that the cost journal will be quite simple and the posting can be done to the same ledger. Items for the cost journal are as follows:

From the analytical daily record, the student should find the total value of raw materials placed in process during the month, charging the amount to Raw Materials in Process and crediting Raw Materials in Stock. The adding machine or the comptometer will be found very serviceable for this purpose. The same process should be carried out for Purchased Parts.

From the analytical daily record the total amount of raw materials returned to the stockroom should also be calculated, charging them to Raw Materials in Stock, and crediting Raw Materials in Process. Purchased parts returned to the stockroom should be treated in the same way.

The student should calculate 6% interest on the value of the capital invested and on the value of the machinery and tools. Depreciation of machinery should be calculated for the month at 1% and that on tools at 5/6 of 1%. Calculate the reserve for industrial insurance at $1\frac{3}{4}\%$ of the total cost of labor for January, including that which is accrued but unpaid. Burden should be debited and credits made to Interest, Reserve for Depreciation of Machines, Reserve for Depreciation of Tools, and Industrial Liability Insurance Reserve for these items.

The next step. Debiting Overhead is the next step, and crediting General Expense, Reserve for Depreciation of Office Furniture and Appliances (calculated at $\frac{3}{4}$ of 1%), and Collections. This will close those accounts.

During the month 500 motors were completed. The amount paid for direct labor, as shown by the direct labor account in the general ledger, plus the amount of direct labor accrued for the

last three days of the month, $4,531.50, plus the balance of the direct labor in process account, minus the inventory of direct labor now in process, $10,633.70, will equal the amount of direct labor used in the manufacture of the 500 motors.

In a similar way the amount of indirect labor used can be found, the amount accrued being $1,418.25, and the inventory of indirect labor now in process, $4,123.10.

Finding the value of raw materials. Raw materials in process on January 1, plus the raw materials placed in process during the month, minus the raw materials returned to the stockroom, and the inventory of raw materials now in process, $40,275.06, equals the value of raw materials used in the manufacture of the 500 motors. All these items will be found in the analytical daily record except the inventory.

In a similar way the value of purchased parts used can be found, the value of purchased parts now in process being $20,964.

As the cost of the finished goods is composed of direct labor, indirect labor, raw materials, purchased parts, burden, and overhead, the student is now prepared to make the next entry by crediting these six accounts and debiting Finished Goods for the amounts found above or for the debit balances as they stand in the general ledger.

The sales account should now be debited and credits made to Returned Sales, Sales Discount, Sales Expense, and Sales Rebates and Allowances, to close these accounts into Sales.

Sales next should be debited for the balance of the finished goods account and the finished goods account credited for the amount which that account shows to be the cost of the total sales of the month. It should be noted that the inventory of this account remains exactly the same as that which is shown for the previous month.

Closing the balance of the direct labor account into Direct Labor in Process, and the indirect labor account into Indirect Labor in Process, will complete the entries to be made at this time in the cost journal.

The student should post all these entries to the ledger and then take the second trial balance for the 31st of January. Many of the accounts in the general ledger will now balance; they should be footed and closed.

The four statements. In making the report of the business at the close of a fiscal period in a manufacturing business, four statements are made:

1. The manufacturing statement, showing in two parts
   a. the prime cost
   b. the factory cost
2. The trading statement, showing in two parts
   a. the gross trading profit
   b. the net trading profit
3. The loss and gain statement, showing the net gain
4. The resource and liability statement

The manufacturing statement. In Part One of this section, under "Formula of Costs," it was stated that the prime cost consists of raw materials, purchased parts, and direct labor. These, therefore, are the items to be considered in making the first part of the manufacturing statement.

The statements which have been made for the other businesses were arranged on a single page. It is a common practice in America to arrange statements, especially those of a manufacturing business, on two pages placed opposite each other like those of the ordinary cash book. And in order to make this form familiar to the student it will be used in closing the books of the General Motor Manufacturing Company. The manufacturing statement will appear as in Form 105.

The trading statement. The trading statement, showing the gross trading profit in the first part and the net trading profit in the second part, will appear as in Form 106.

The loss and gain statement will appear as in Form 107.

The resource and liability statement, showing also the final distribution of the net gain, will appear as in Form 108.

Analyzing and distributing the costs. After closing the books, there remains only the final step—the analysis of costs and their distribution to the different departments, to complete the work of this chapter. In order to make the student familiar with more than one of the bases of distribution, different items of the operating cost will be distributed in different ways. Direct labor, indirect labor, supervision, and repairs will be distributed directly,

MANUFACTURING

Raw materials				
Inventory, January 1				
In stock	?????	..		
In process	?????	..		
Purchased during the month	?????	..	??????	..
Purchased parts				
Inventory, January 1				
In stock	?????	??		
In process	?????	??		
Purchased during the month	?????	??	??????	??
Direct labor				
In process, January 1	10633	70		
Paid for during the month	?????	??		
Accrued	????	??	?????	??
			??????	??
Prime cost			??????	..
Indirect labor				
In process, January 1	4123	10		
Paid for during the month	?????	??		
Accrued	????	??	?????	??
Burden				
Sundries	???	??		
Rent	???	..		
Light	??	??		
Freight in	???	??		
Fuel	???	..		
Repairs	????	??		
Power	????	??		
Supervision	???	..		
Interest on investment and equipment	????	??		
Reserve for depreciation of machinery	???	??		
Reserve for depreciation of tools	??	??		
Reserve for industrial insurance	???	??	?????	??
			??????	??

FORM 105-A

TRADING:

Finished goods on hand, January 1	?????	..		
Factory cost of goods manufactured in January	??????	??		
Total			??????	??
Gross trading profit			*?????	??
			??????	..
Sales expense				
Advertising	???	..		
Salesmen's salaries and expenses	????	..		
Sales discount	???	..		
Sales rebates and allowances	???	..	????	..
Net trading profit			*?????	??
			?????	??

FORM 106-A

STATEMENT, JANUARY 31

Raw materials				
Inventory, January 31				
In stock	?????	??		
In process	?????	??	??????	..
Purchased parts				
Inventory January 31				
In stock	?????	??		
In process	?????	..	?????	??
Direct labor in process, January 31			?????	??
Prime cost for January			??????	..
			??????	..
			??????	??
Indirect labor in process January 31			????	??
Factory cost for January			??????	??
			??????	??
			??????	??

FORM 105-B

STATEMENT, JANUARY 31

Finished goods on hand, January 31			?????	..
Sales				
Gross sales	??????	..		
Returned sales	????	..	??????	..
Net sales			??????	..
Gross trading profit			?????	??
			?????	??

FORM 106-B

			LOSS AND GAIN	
Overhead				
General expense				
Rent	??	==		
Stationery	???	==		
Railroad fare	???	??		
Street car fare	??	==		
Printing	???	==		
Dues in organizations	??	==		
Light	?	??		
Postage	???	??		
Telephone	??	==		
Repairs	???	??		
Fuel	??	==		
Salaries	????	==		
Imprest fund	??	??	????	??
Reserve for depreciation of office furniture and appliances			??	??
Collection			???	??
Taxes for 2 months (1/6)			???	??
Insurance for 3 months (1/4)			???	??
Net gain			?????	??
			?????	??

FORM 107-A

			RESOURCE AND LIABILITY	
Cash			??????	??
Bills receivable			?????	??
Accounts receivable (sales ledger)			??????	??
Taxes (10 months unexpired)			????	??
Insurance (9 months unexpired) .			????	??
Finished goods (inventory)			22050	==
Supplies (inventory)			1564	57
Direct labor in process			?????	??
Indirect labor in process			????	??
Machines (inventory)			?????	==
Tools (inventory)			????	==
Office furniture and appliances (inventory)			????	==
Raw materials				
In stock (daily record)	?????	??		
In process (daily record)	?????	??	??????	==
Purchased parts				
In stock (daily record)	?????	??		
In process (daily record)	?????	==	?????	??
			811311	39

FORM 108-A

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STATEMENT JANUARY 31

Net trading profit			?????	??
Purchase discount			???	==
Interest			????	??
			?????	??
			?????	??

FORM 107-B

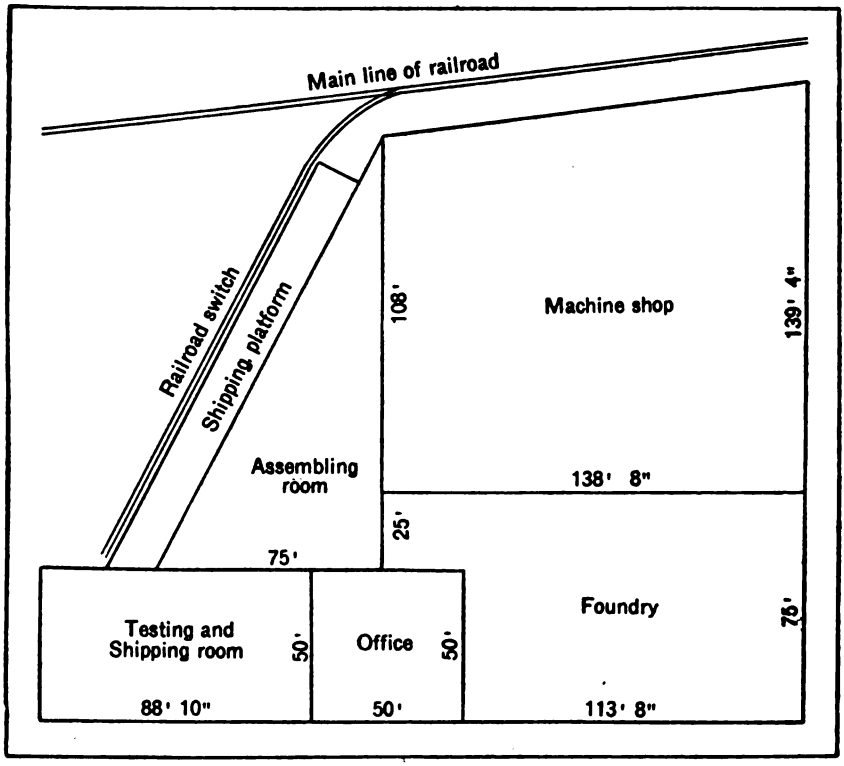
STATEMENT, JANUARY 31

Liabilities				
Bills payable	????	??		
Accounts payable (purchase ledger)	?????	??		
Direct labor (accrued)	????	??		
Indirect labor (accrued)	????	??	?????	??
Quasi Liabilities				
Surplus, January 1	????	??		
Undivided profits January 1	????	??		
Reserve for depreciation of machines	????	??		
Reserve for depreciation of tools	???	??		
Reserve for depreciation of office furniture and appliances	???	??		
Reserve for industrial liability insurance	?????	??	?????	??
Capital stock			??????	==
Net gain for January				
Dividend (5%)	?????	==		
Surplus (2/3 of the remainder)	?????	??		
Undivided profits (1/3 of the remainder)	?????	??	?????	??
			811311	39

FORM 108-B

since these items were entered in the disbursing cash journal in such a manner as to render this possible. This will dispose of the greater part of the operating cost in the most just manner.

Rent, fuel, interest, light, and sundries will be distributed on the basis of floor space. The dimensions of the departments are shown on the floor plan of the factory shown below. From this the percentage rate each department bears to the whole factory,



The factory of the General Motor Manufacturing Company is arranged according to the plan shown here. If we wish to distribute any portion of the expenses on the basis of floor space, we find the percentage which each department bears to the whole.

excluding the office, can readily be found. The sum of the items mentioned above can then be distributed by using the same percentage rates, which should be carried to the fourth decimal place.

One item of the burden, Freight In, will be distributed on the man-hour basis. The number of direct labor hours used during the month in the factory is as follows: foundry, 14,560; machine

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DISTRIBUTION OF OPERATING COSTS FOR JANUARY

	Foundry	Machine Shop	Assembling	T. and S.	Total
Floor-space basis of distribution	???? sq ft ??.?%	????? sq.ft. ??%	????sq.ft. ??%	???? sq ft ??.?%	????? sq.ft. 100%
Man-hour basis of distribution	14560 hrs. ??.??%	37024 hrs. ??.??%	8112 hrs. ??.??%	9152 hrs. ??.?%	????? hrs 100%
Machine-hour basis of distribution	???? hrs. ??.??%	????? hrs. ??.??%	???? hrs. ??.??%	???? hrs. ??.??%	????? hrs. 100%
Total labor cost basis of distribution	?????.?? ??.??%	?????.?? ??.??%	????.== ??.??%	????.== ??.??%	?????.?? 100%
Direct distribution					
Direct labor					
Paid	???? ??	????? ??	???? ??	???? ==	????? ??
Accrued	???? ??	???? ??	??? ??	??? ==	???? ??
Indirect labor					
Paid	???? ??	???? ??	???? ==	??? ==	????? ??
Accrued	??? ??	??? ==	??? ==	?? ==	???? ??
Supervision					
Foremen	??? ==	??? ==	??? ==	??? ==	??? ==
Supt. (apportioned to foremen)	?? ??	?? ==	?? ??	?? ??	??? ==
Repairs (in the factory)	?? ??	??? ??	??? ??	??? ??	???? ??
Floor-space basis of distribution					
Burden					
Rent ???.==					
Fuel ???.==					
Interest ????.??					
Sundries ???.??					
Light ??.??	???? ??	???? ??	??? ??	??? ??	???? ??
Man-hour basis of distribution					
Burden					
Freight in	?? ??	??? ??	?? ??	?? ??	??? ??
Machine-hour basis of distribution					
Burden					
Power ????.??					
Res for dep. of machines ???.??					
Res. for dep. of tools ??.??	??? ??	???? ??	??? ??	??? ??	???? ??
Labor cost basis of distribution					
Burden					
Reserve for industrial insurance	??? ??	??? ??	??? ??	?? ??	??? ??
Overhead					
General expense					
Rent ??.==					
Stationery (estimated) ??.==					
R. R. fare ???.??					
St. car fare ??.==					
Printing (estimated) ??.==					
Dues (1 month) ?.??					
Light ?.??					
Postage ???.??					
Telephone ??.==					
Repairs ??? ??					
Fuel (estimated) ?? ==					
Salaries ????.==					
Imprest fund ??.??					
Reserve for depreciation of office furniture and appliances ??.??					
Collection ???.??					
Taxes (1 month) ???.??					
Insurance (1 month) ??? ??	???? ??	???? ??	??? ??	??? ??	???? ??
Total operating cost by departments	????? ??	????? ??	???? ??	???? ??	67609 96

FORM 109

shop, 37,024; assembling room, 8,112; testing and shipping room, 9,152. These figures determine the percentage rates for Freight In.

Three items of the burden, viz., power, reserve for depreciation of machines, and reserve for depreciation of tools, will be distributed on the machine-hour basis. In the foundry 25 units of production have been operated a total of 5,050 hours; in the machine shop 75 units have been in operation a total of 13,485 hours; in the assembling room 13 units have been in operation 2,684 hours; in the testing and shipping room 22 units have been in operation 4,481 hours.

The remaining item of burden, the reserve for industrial insurance, and all of the overhead, will be distributed on the total labor-cost basis, the data of which have already been found. A few of the items of overhead cover more than the one month, so the following estimates and modifications of the items already found must be considered. Stationery for the month is estimated at $20; printing at $75; fuel at $25. The dues paid in organizations, taxes, and insurance are to be figured at 1/12 of the ledger charges, which are for the entire year.

The cost analysis sheet, showing the final distribution of operating costs by departments is illustrated in Form 109, and when completed the horizontal footings should check with the vertical footings and agree with the figures in the last column.

STANDARD QUESTIONS

The transactions of the General Motor Manufacturing Company

1. What is a controlling account and why is it kept?
2. What controlling accounts do you use in this section?
3. Why are two trial balances required for January 31?
4. What is the purpose of the cost journal? Where is the cost ledger in this chapter?
5. What would be the rate of depreciation on machinery and tools for the entire year on the same basis as that charged off for January?
6. What are the elements entering into the prime cost?
7. What is added to prime cost to make the factory cost?
8. How can you find the gross trading profit?
9. What must be taken out of the gross trading profit to find the net trading profit?
10. Why are some of the items on the credit side of the resource and liability statement called "quasi" liabilities?

SECTION VIII

BANK ACCOUNTING

PART ONE

THE exchange of one kind of goods for another was probably the first form of business transaction. The man who had been injured in some way so that he was no longer able to obtain food for his family in the chase became skilful in the making of weapons. The hunter had little patience for that work, but he secured more game in the forest than he needed. The weapon maker therefore traded the results of his skill for the excess of the hunter's prowess, and both were satisfied.

Early forms of exchange. This process has continued in greater or less degree even to the present day. Western mariners used to leave a pile of merchandise on the shore of an eastern continent for the inspection of the natives, who then placed the pile of their products near by and retired to the jungle, each side coming and going, adding and subtracting from its own pile until the silent bargain was concluded. Today the farmer brings his butter and eggs to the village store, where they are exchanged for sugar, coffee, and so forth.

It often happened, however, that when a man wanted a certain commodity, he didn't have the kind of goods the other man wanted. It therefore became desirable to have something which could always be exchanged with anyone who had something needful. Hence animals were domesticated, and cattle and sheep became common mediums of exchange. The value of commodities was given in terms of cattle and sheep. When anyone desired to buy property, he offered a certain number of cattle or sheep for it. If a young man wished to secure a wife, he proposed to present her father with so many cattle, sheep, or goats. And worshippers presented cattle or sheep as sacrifices.

Mediums of exchange. As time progressed, many different articles were used as mediums of exchange in different countries. Among these were cowry shells, pelts, olive oil, different kinds of grain, and salt. The American Indians and the early colonists used carved pieces of shell called wampun. The settlers of Virginia used tobacco. A deed executed by a Mohican Indian in 1678, transferred an island in the Hudson River to one of the Dutch settlers for a "piece of cloth, a cutlass, a kettle, two pairs of stockings, four axes, a coat, a shirt, and two jugs of rum." But the most favored of all mediums of exchange came to be the gold and silver ornaments made from the metals which were considered most beautiful and precious because they were rare and because they did not tarnish nearly so readily as did those metals which were more plentiful.

Guessing at the value of gold and silver ornaments gradually gave place to the practice of weighing the metal and considering it worth so much an ounce or other unit of weight. In time it became the practice to scratch the weight on the piece of metal in order to save the time and trouble of weighing it each time it was passed.

Still later, governments began to stamp the value. After the value had been so stamped, dishonest persons frequently clipped off parts of the metal until by and by it was worth only a fraction of the stamped value. To prevent this practice, machines were invented which made the coins round, stamped the piece of metal on both sides, and milled the edge.

The standard. Since gold was the most precious of the metals used, it has become the standard, and in America the double eagle, the eagle, and the half-eagle have become the standard gold coins. A gold coin smaller than the half-eagle is too easily lost to be practicable, although there are some $2.50 gold coins. Hence silver is used for the dollar, half-dollar, quarter-dollar, and dime. Again, a silver coin of less value than the dime is too small for convenience, and the half-dime is made of nickel alloy. For a similar reason the one-cent piece is made of copper alloy.

What is meant by "sweating." If a canvas bag is partly filled with gold coins and then shaken for some time, there will be

found an appreciable quantity of gold dust in the bag, which has been rubbed from the coins; the process is called "sweating." Practically the same process goes on in passing coins from hand to hand, so that after a double eagle has been in circulation for 20 years it has lost about 10 cents' worth of gold.

Gold is heavy; if a person lived a mile from the bank and were offered $100,000 in gold if he would carry it home at one load, he would find the task impossible. Even $1,000 would be extremely inconvenient in the pockets.

Paper currency. To avoid these difficulties governments issue what is called paper currency. Paper currency consists of printed paper promises in which the government agrees to pay the amount promised in coin to the one who presents the paper. It was the intention at first to hold in the government treasury the exact amount of coin for which paper was issued, but it was soon evident that people preferred to handle and carry the paper and seldom brought it in for redemption. It is therefore, obviously enough, necessary to provide for only a comparatively small percentage of the outstanding currency with redemption funds of gold or silver in the treasury.

Paper currency consists of:

1. Government notes, sometimes called "greenbacks" (because the back is printed in green ink), which are promises of the government to pay to the bearer the amount specified on the note. They are issued in denominations of $10, $20, $50, $100, $500, and $1,000;

2. Gold certificates, sometimes called "yellowbacks" (because the back is printed in yellow), which are issued in denominations from $10 to $10,000. Each of these represents the actual gold, either in coin or bullion, in the national treasury, and anyone who presents one of them there can secure the gold. Under normal conditions he can secure it as readily at a national or federal reserve bank;

3. Silver certificates, which form the bulk of the nation's paper of small denomination, for 90% of them must be kept at and below the denomination of $10. They are secured by silver just as the gold certificates are secured by gold and are redeemable in the same way;

4. National bank notes, which are issued by national banks banks and which are the banks' promises to pay the amount specified to the bearer. In addition to the security of the banks' promises, these national bank notes are secured by bonds deposited with the treasurer of the United States so that if the bank should fail to meet them for any reason, the holder would not lose their value. Their denominations range from $5 to $100;

5. Federal reserve bank notes, which are issued in denominations from $1 to $50 and are secured in a manner similar to that of national bank notes.

How paper currency is printed. All of this currency is printed in the offices of the government department of printing at Washington on paper manufactured especially for that purpose so that it will stand much handling and cannot be easily imitated. It is printed from intricately engraved plates to prevent counterfeiting and is distributed to the banks in sheets which are cut or torn up into the individual "bills."

The use of the different kinds of paper currency has added several times the total value of the metal coins to the mercantile circulation of the country, but not nearly enough to care for the volume of transactions carried on daily. Just as this currency is the promise of the bank or the nation to pay its face value to the holder, so there is the promise of the private corporation or business firm to pay to the holder the face value of the paper. A promise of this kind may be a check, a note, a draft, or an acceptance; the security behind the promise in each case is the sum of the resources and business integrity of the organization which makes the promise. By far the greater part of business transactions are carried on through these promises or, as they are called, credits.

The cause of panics. So long as business organizations are satisfied that these promises will be redeemed in currency or other equally good credits at maturity, business remains stable and prosperous; when these organizations lose confidence in each other, the system of credits breaks down, and the country is swept by so-called panics or money stringencies, which are really not stringencies of money at all, but stringencies of credits. When this loss of confidence extends to the government of a coun-

try, as it is likely to do during a losing war, the actual value of its paper currency deteriorates sometimes to a small fraction of its face value.

If each business house had to provide for the safety and protection of its money and credits, the expense of watchmen, safety vaults, and locking devices would be excessive. If everyone who had money to lend found it necessary to search for someone who desired to borrow, and if everyone who wished to borrow had to find the one who was willing to lend, there would be a great multiplication of effort and expense in getting together. If those who possessed small sums of money had to hoard them, and others of business ability could not start until each had accumulated enough capital of his own, vast amounts of money would lie idle while much of the nation's skill and wisdom would enter the field of production very late in life, if at all. If travelers had to carry with them the money needed for their expenses, trusting to accident to have it changed into the currency of each successive country which they visited, they might lose a large percentage of it. If the payees of notes and acceptances had to hold all their paper until maturity, the circulation of cash would be seriously hindered and the effect would be a brake on the wheels of the whole commercial machine. If a person who purchased goods in a distant city had to send the cash in order to pay his debt, or if a creditor had to see personally to the collection of the amount due him in some other place, much time would be lost, many obligations would remain unpaid, and therefore there would be far fewer of such obligations assumed.

What the bank does. These are some of the reasons for the establishment of banks, whose business it is to provide safety and facility in the exchange of money and credits.

A bank provides a safe place for the deposit of money and valuables, lends money at a reasonable rate of interest on approved security, discounts commercial paper, collects obligations in distant cities through its correspondents, exchanges the money of foreign countries for domestic currency, supplies travelers with letters of credit or other forms of easily negotiable credits, provides an easy and safe method of paying debts due in other places, acts through its trust department as executor or administrator of estates, guardian of minors or lunatics, agent for

the renting or sale of property, trustee for the handling of accounts, receiver for the settlement of business difficulties, and so forth; and provides storage and insurance for valuable papers, furs, trunks, and so forth, in its safe deposit vaults.

Private banks. Private banks are conducted by individuals or business organizations on about the same basis as other business ventures. They are no longer plentiful, although some foreign communities still prefer to deposit with private banks conducted by men of their own nationality.

State banks and trust companies. State banks are organized under state laws. They are subject to different requirements in different states and were formerly considered to have some advantages over national banks, because the inspection of the state banks was less stringent. It is probably generally true that state banks are now as thoroughly inspected as national banks, many times by the same inspectors. Trust companies are practically state banks, since they are organized under state laws, and they perform all the functions of a bank except that of issuing bank notes as currency. They are prevented from doing this only because there is a federal tax of 10% on the currency issued by any other than national or federal reserve banks.

National banks. National banks are organized under the national banking act passed by Congress in 1864. At first they were required to confine their loans within narrow limits: real estate could not be accepted as security; while they had the privilege of issuing their own currency, they could perform no functions outside of a strictly banking business. By amendments to the law as originally passed, national banks can now lend money on real estate and can establish trust departments.

Federal reserve banks. In 1913, Congress passed a law creating the federal reserve banks, which are outgrowths of the national banks, being organized by the national banks of the district in which each federal reserve bank is located. They are depositories of funds from the treasury of the United States and advance money to the national banks in case of need.

The first bank. The lending of money on security has been practised in all nations so long "that the memory of man runneth

not to the contrary." But banking, like bookkeeping, seems to have originated in Italy. The bank of Venice was established in 1171 (there were private banks before this), and the bank of Genoa 85 years before Columbus sailed on his voyage of discovery. The bank of Amsterdam was established in the same year in which Jamestown, Virginia, was settled. Some of these banks were destroyed by French armies in the time of Napoleon.

The bank of England was established in 1694; the first great bank in the United States was founded in Philadelphia four years after the Declaration of Independence, although it did not open for business until January 2, 1782, with a perpetual charter under the name of The Bank of North America. The bank of Massachusetts opened in 1784, and the bank of New York was founded seven years later.

Early banks. For over 70 years after this the laws of the different states were so varied and so lax that numerous "wildcat" banks were opened by unscrupulous persons without capital. The failure of these fraudulent banks and the losses sustained by people who had deposited money with them caused a widespread distrust of banks and banking, which has not even yet entirely disappeared. In 1864 Congress passed the national banking act, and one year later the law taxing the bank-note circulation of all other banks 10%.

How the federal reserve banks are organized. The establishment of the federal reserve banks took place in December, 1913. The provisions of this act divided the country into districts; in each district a city is designated by the federal reserve board as the location of the reserve bank at that district. All national banks in the district are required to take stock in the reserve bank to an amount equal to 6% of their capital, under penalty of forfeiting their charters. Each reserve bank must have a capital of at least $4,000,000. If the subscriptions of the national banks do not provide this sum, the public is given the opportunity of purchasing the stock, and if this does not supply the required amount, the balance is assigned to the United States government and paid out of the national treasury. The stock of federal reserve banks is not taxed and pays 6% dividends. After providing a surplus fund of 40% of the capital

stock out of the earnings above the dividends, the rest of the profits go to the treasury of the United States.

An act giving authority for national banks to act in the capacity of trust companies after securing permission of the federal reserve board, was passed by Congress in September, 1918.

Exchange and the "balance of trade." Exchange between cities varies as the amount of trade between the merchants of those cities varies. For example, if Chicago merchants are shipping more goods to New York than they are buying from New York, there is not much money going from Chicago, and more is coming back. In this case the "balance of trade" is said to be in favor of Chicago, and New York exchange, that is, the sale of drafts for sending money to New York, is low, because few persons want them. At such times the cost of a New York draft will be lower than when the "balance of trade" is in favor of New York and when, in consequence, New York exchange is high. This is the reason for fluctuation in the cost of New York exchange, and the same reason explains the fluctuation of exchange with foreign countries.

The cost of exchange. At all times, however, the cost of exchange is governed by the rate at which actual money can be shipped by express from one place to another. If, for example, $1,000 in cash can be shipped by express from Chicago to New York for 75c, business houses are not likely to pay $1.25 for a New York draft to transfer the same amount in that way. The reverse is equally true.

Correspondent banks. In order to make the exchange of funds available between cities, banks have agreements by which they draw on each other for their patrons. The theory is that a New York bank may draw on its correspondent as freely as the bank in some other city draws on the New York correspondent, but so nearly universal is the custom of paying anywhere and everywhere by New York exchange, that is, drafts on New York banks, that a large part of the correspondence is on the one side. To maintain the balance in the New York correspondent bank's hands, the outside banks keep constantly forwarding cash or commercial paper for collection to the New York bank. A similar form of exchange is maintained between small country

banks and a correspondent in the nearest large city. For the convenience of making collections, correspondent relationships are frequently established with banks in conveniently located cities in other parts of the country or in foreign countries, but so far as domestic exchange is concerned, little drawing is done.

Letters of credit. Exchange is also carried on with banks in foreign countries under the name of letters of credit. A letter of credit is a kind of international draft drawn by a bank in favor of the traveler who is going abroad. The amount for which the letter is drawn is indicated in the currency unit of different countries, as dollars, pounds, francs, rubles, pesos, and so forth. As the traveler draws amounts from the banks of the different countries, the items are entered on the back of the letter of credit until the face of the letter has been exhausted. To prevent a thief or finder from drawing on the letter, a description of the purchaser, his photograph, and his signature are frequently placed on its face. Forms 110 and 112 show a letter of credit.

Travelers' checks. Another convenience provided by banks is the traveler's check. This may be purchased at banks in denominations of $10, $20, or $50, and is signed on the face of the check in the presence of the bank's officer. When the owner desires to cash it, he signs again on another line in the presence of the one who is to cash it; identification depends upon the agreement of the signatures. Form 111 on page 256 shows a traveler's check.

The available funds of a bank come from three sources; there is, first, the cash paid for stock by the stockholders; second, currency to the amount of the bonds deposited with the United States treasury as security; third, and by far the largest, item of funds, the deposits of the bank's customers.

How deposits are received. Deposits are received in three ways. The depositor may place the money in the bank and be given a certificate showing how much he deposited, whether interest is to be paid on it by the bank, and when he will be permitted to withdraw any or all of it. This paper is the depositor's receipt for the money and is called a certificate of deposit, as shown in Form 113. It is used when the depositor does not have a regular account in the bank.

CIRCULAR LETTER OF CREDIT

No. 64,263

to the correspondents of

THE NATIONAL BANK OF EDUCATION

£ 1000 Cleveland, Ohio
June 13, 19—

Gentlemen:

This will introduce and commend to your kind attention Mr Allen Brock or Mrs. Ruth Brock to whom you will please furnish funds in amounts as requested to the aggregate amount of One thousand Pounds Sterling against the holder's sight drafts on The Barnes-Bailey Bank, London, each draft to be plainly marked as drawn under The National Bank of Education's letter of credit, No 64,263.

We request you to buy such drafts at the rate at which you purchase demand drafts on London and we engage that these drafts will meet with due honor in London if negotiated not later than September 1, 19— under the condition that the amounts thus negotiated have been inscribed on the back of this letter. The letter itself must be attached to the draft which exhausts the credit.

Please be careful to have each draft drawn on your bank signed in your presence and to compare the signature with that forwarded in connection with this letter under another cover.

Your obedient servant,
The National Bank of Education
L. C. Remington Cashier.

FORM 110: If you were to go abroad, this would be the kind of letter of credit you would purchase. It is safer than carrying money with you and more convenient, because it can be cashed in the currency of any country in which you are traveling.

When countersigned below with this signature _____ Before cashing write here city and date _____ 19—

2 0 7 9 7 1 0
two cipher seven nine seven one cipher

AMERICAN EXPRESS COMPANY

At its paying agencies

Pay this cheque from our balance to the order of _____ $10.00

In United States and Canada	England Ireland - Scotland			France Belgium-Switzerland	Germany	Italy	Norway Sweden Denmark
	£	s	d	Franc Cent	Mark Pfng	Lire Cent	Kroner Ore
Ten Dollars	2	0	10	51 25	41 65	51 25	36 70
Countersigned in the presence of person cashing				Holland	Austria Hungary	Russia	Other Countries
_____				Florin Cent. 24 58	Kroner Heller 49 00	Ruble Kopk 19 23	at current rates

_____ Treasurer

Travelers' cheques cashed in Europe will be redeemed only at the company's offices and bankers in Europe.

FORM 111: The traveler's check serves the same purpose as the letter of credit: it is safer and more convenient than carrying actual money. The person having it cashed signs it under the words, "Countersigned in the presence of person cashing."

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PAYMENTS MADE				
Date of payment	By whom paid	Name of town	Amount expressed in words	Expressed in figures

FROM 112: On the reverse of the letter of credit are entered the amounts which the traveler draws from banks in the different countries he travels through. The letter of credit is discussed more fully on page 255. Form 110 shows the other side.

Certificate of Deposit

THE NATIONAL BANK OF EDUCATION

No._____ CLEVELAND, OHIO_____ $_____

_____ has _____ deposited in this bank

_____ Dollars

Payable to _____ or order, in current funds on or after the ____ day of _____ 19____ on the return of this certificate properly indorsed. Interest at _____ % payable to maturity but not after that date.

NOT SUBJECT TO CHECK

_____
Cashier

FORM 113: Even if a person has no account at a bank, he may deposit money with the bank and receive in return a receipt like the one shown here. It is called a certificate of deposit. When the money is withdrawn, it is returned to the bank.

The checking account. The second method of deposit is in what is called a commercial or checking account. Under this plan the customer's receipt is the entry in his bank pass book. Banks formerly required the depositor to bring this book into the bank once a month, when the bank clerks entered all the checks which had been returned and balanced the book before returning it to the depositor. This is no longer the custom in most banks. Instead of this, a sheet in loose-leaf form is kept for each account. In one method the left margin of this sheet shows the old balance daily or weekly according to the amount of business with that account, the incoming checks are entered in the body of the sheet in detail, and at the right margin is shown the new balance. Between the margins and the body the sheet is perforated.

The statement of account. At the close of the month the margins are torn off and the main part is sent to the depositor as a statement of his account. Form 114 shows a statement of account. If he wishes the checks entered in the pass book, he makes those entries and balances it himself. If the balance as shown by the statement does not agree with that shown by the depositor's check book, he adds to the check book balance the amount of the checks still outstanding. If this does not make the balance agree and he can find no error in the stubs of his check book, he reports the disagreement to the bank at once.

Checks. The depositor's money is of course his own property while it remains in his hands. Placing it in the bank does not change its ownership; it is still the depositor's money, and he can order the bank to pay it to anyone whom he may select. When he gives this order on the bank it is called a check, as explained in Section II, and once he has made a check the only authority the bank will recognize as countermanding that order is another written order. Payment of a check cannot be legally stopped orally or by telephone. But the bank cannot enter the check against the account of the depositor, or drawer, until it is presented, so that if the drawer is careless or dishonest, he might draw several checks against a small deposit and only such as were presented before the money was exhausted would be paid.

How to have a check "certified." To prevent this, the payee sometimes requires the drawer to have the check "certified"

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Statement of

THE NATIONAL BANK
OF EDUCATION
Cleveland, Ohio

In account with

Please examine and report at once. If no error is reported within ten days, the account will be considered correct

OLD BALANCE	DATE	CHECKS	DATE	DEPOSITS	DATE	NEW BALANCE
		BALANCE FORWARD				

FORM 114: The statements of account sent out by most banks are like or similar to this one, which is used by the National Bank of Education. The depositor compares the information it contains with the stubs in his check book and in case there are errors, he reports them to the bank at once.

NO_____ Cleveland, Ohio_____ 19--

THE NATIONAL BANK OF EDUCATION

Pay to the order of_____

_____ DOLLARS

$_____

_____

FORM 115

NO 68 Cleveland, Ohio January 30, 19--

THE NATIONAL BANK OF EDUCATION

Pay to the order of Elsie A. Trinkner

One Hundred Twenty-four no/100 DOLLARS

Good when properly indorsed L. C. Remington Cashier

$ 124.00 The General Motor Manufacturing Co.

FORM 116

before accepting it. This is accomplished by having an officer of the bank write across the face of the check, "Good when properly indorsed," and sign his name. Form 116 shows what a certified check looks like. When this is done, the face of the check is deducted from the account of the depositor then and there and is credited to the certified checks account, where it remains until it returns for payment. Certified Checks is then debited.

Savings accounts. The third method of depositing is in savings accounts. As its name implies, the savings account should be an account of money saved. It should not be merely a means by which the bank is compelled to become the depositor's bookkeeper without pay, as when the contents of the account are withdrawn as regularly as they are deposited and almost as completely. The savings pass book differs from the commercial pass book as shown in Forms 117 and 118.

How loans are classified. One of the important sources of a bank's income is its loans. These may be classified as follows:

1. Time loans, which may be
    a. loans on real estate with mortgage security
    b. loans on collateral security
2. Demand loans, which may be
    a. loans on collateral security
    b. loans on notes with guaranteed security
    c. loans on business statements without security

Loans on real estate. The federal reserve banking law prohibits the amount of a loan made on real estate as security from being more than 50% of the value of the property. The borrower gives the bank a note for the amount borrowed, a mortgage on the property for the amount of the note, the deed which transferred the property to the borrower, the abstract of title, and any insurance policies covering the property.

The note is usually made payable "one year after date," but it is understood that this does not mean that payment will be required at the end of a year; in fact, the bank is ordinarily in no haste to make a final collection of the face of the note if the interest is met regularly and promptly. All of the papers connected with the loan are kept in an envelop on the outside of

Present this book at the bank
in January and July

THE NATIONAL BANK OF EDUCATION
SAVINGS DEPARTMENT

Subject to the rules and
regulations of the bank

for the purpose of having the
interest entered

In acct. with NO._____

Date	Withdrawn	Deposited	Balance	Date	Withdrawn	Deposited	Balance

FORM 117: Savings Pass Book

THE NATIONAL BANK OF EDUCATION
CLEVELAND, OHIO

Dr. In account with Cr.

FORM 118: Commercial Pass Book

Cleveland, Ohio, February 1 19..

One year after date, for value received, we promise to pay to the order of

THE NATIONAL BANK OF EDUCATION of Cleveland, Ohio,

---------- Thirty-five Hundred ---------- no/100 DOLLARS

Payable at the office of the bank and we hereby authorize any attorney-at-law to appear in any court of record in the United States after the above obligation becomes due and waive the issuing and service of process and confess a judgment against us in favor of the holder hereof, for the amount then appearing due, together with the cost of suit and thereupon to release all errors and waive all right of appeal.

$ 3500.00

Due February 1 19..

Gilbert & Furgeson
Atty.

Address 1476 Euclid Avenue

FORM 119: This judgment note does not state, the student will notice, the nature of the security for the loan. It merely acknowledges the debt and promises to pay the sum borrowed on a certain day. Who are the original parties to the note?

$ 10,000.00

Cleveland, Ohio, April 5 19..

Ninety days after date for value received, the undersigned promise to pay to the order of

THE NATIONAL BANK OF EDUCATION
of Cleveland, Ohio,

---------- Ten Thousand ---------- no/100 DOLLARS

at its office, with interest at the rate of 6 per cent. per annum, payable quarterly, on the 15th of March, June, September, and December.

The undersigned has deposited with said bank as collateral security for the payment of this and any and every liability or liabilities of the undersigned to the said bank, direct or contingent, due or to become due, or which may hereafter be contracted or existing, the following property, viz.:

Eight General Inprovement Bonds of the City of Chicago, dated 1915, due in 1930, No.s 87,946, 87,947, 87,948, 87,949, 87,950, 87,951, 87,952, and 87,953; also certificate No. 563 for 60 shares of the capital stock of General Motor Manufacturing Company.

(Here follows the contract under which the borrower agrees to furnish additional security and under which the bank may sell the collateral and apply the proceeds of the sale to the payment of the loan.)

No. 5,842

Address 6599 Detroit Avenue

Goldman & Dankmeyer
a g.

FORM 120: This collateral note gives, in addition to the amount of the loan, the number, the interest, the due date, and the original parties, a full description of the collateral given as security. Is this note a time note or a demand note? Why?

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which is shown the serial number of the loan, the name of the borrower, the amount of the note and mortgage, the contents of the envelop, and such other items as may be necessary or desirable. These envelops are arranged in alphabetical or numerical order in the vault. Form 119 shows a judgment note.

Collateral time loans. Collateral time loans run for a much shorter time than loans on real estate. The security on collateral loans is in the form of certificates of shares of stock or the bonds of a corporation, or some similar kind of property. Form 120 on page 262 shows a collateral time note. The bank usually allows a liberal margin between the market value of the collateral and the amount lent on it, in order to provide for market fluctuations. Of course, the description of the collateral in the note can be given only at its par value if a bond, or the number of shares, if a certificate of stock, but it should include also the name of the corporation, the kind of stock or bonds, and the serial numbers if there are any. These items are kept in an envelop similar to that used for the real estate loans, unless there are more than the envelop will contain, when they are tied together in a package.

There is little difference between collateral time loans and collateral demand or call loans, except that for one there is a fixed due date, while the other is not due until the bank "calls" for its payment. The demand note is payable, however, whenever the bank calls for it, which may be a week, or a month, or any time the bank wants the money.

Loans without security. Persons wishing to borrow cannot always furnish real or collateral security, but may be able to secure the names of one or more indorsers who are willing to guarantee the payment of the note at maturity. If these indorsers own sufficient property, the bank may lend limited amounts without other security.

Business firms of experience, integrity, and success are frequently allowed to file with the bank a statement of their business, showing its resources and liabilities, and if the showing is satisfactory, they are permitted to draw on the bank to a certain percentage of their net ownership without any further security. In all cases, of course, the borrower pays interest at the current rate for the use of the money lent him.

The ownership of a corporation is divided into shares. To each shareholder is given a certificate showing the number of shares he owns, the par value, and so forth. For the form of a stock certificate see Section V, Part One.

What bonds are. Bonds are the written or printed promises of a corporation, city, state, or nation, agreeing to pay the face value of the promise at a stated time. They are to the organization making them practically what notes are to an individual, except that bonds are made under seal. Coupon bonds (from the French couper, to cut) are those to which are attached small sections each of which can be cut off with shears. When one of these coupons is presented at a bank the amount of interest on the bond due to the date of the coupon will be paid in cash. Coupons are usually payable to the bearer. Registered bonds are entered in a book under the name of the owner and are of no value to a finder or another holder until transferred by regular process on the books and by indorsement. Of all collateral securities the registered bond is probably the safest from theft.

STANDARD QUESTIONS

Money

1. What was the first form of business transaction?
2. Where is this early method of exchange still practised?
3. Was this first method satisfactory? Why or why not?
4. What is a medium of exchange?
5. What substances have been used as mediums of exchange? Where?
6. What material became the final choice for this purpose? Why?
7. How was the value of metal ornaments determined at first?
8. Why was this not sufficient?
9. What method is used to prevent mutilation of coins?
10. What metals are used in America for coinage?
11. What is the denomination of the coins in each metal? Why?
12. What is "sweating"?
13. Is there any objection to the use of metals as money? If so, what?
14. What substitute has been invented to take the place of the metals?
15. How and by whom is this substitute issued?
16. What is the redemption fund?
17. What are "credits"?

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18. What gives value to credits?
19. What is the cause of panics?
20. How and when do panics affect nations?

STANDARD QUESTIONS

Banks, their functions, kinds, and history

1. What are some of the things business houses would have to do if there were no banks?
2. What functions does the business of a bank include?
3. How are private banks conducted? Where are most of them found?
4. What advantage were state banks formerly supposed to have?
5. Was this really an advantage? Why?
6. What is their present state in this respect?
7. What is the most common form of state bank?
8. What are state banks prevented from doing? How?
9. When was the national banking act passed?
10. What were the limitations on national banks at first? How have these been changed?
11. Describe the method by which federal reserve banks are organized.
12. Who introduced banking into Europe?
13. When were the early European banks established?
14. What was the first bank established in the United States? When?
15. What was the condition of banking in the United States between the Revolution and the Civil War?

STANDARD QUESTIONS

Exchange

1. What is exchange?
2. What is the "balance of trade?"
3. What governs the cost of exchange between cities and countries?
4. What are correspondent banks?
5. Describe the letter of credit and its use.
6. What is the theory of correspondence? How does it work?
7. How do outside banks maintain the balance of trade with New York?
8. Do United States banks have correspondents in foreign countries?
9. Describe the traveler's check and its use.
10. Is the traveler's check or the letter of credit more convenient? Why?

STANDARD QUESTIONS

Deposits

1. Of what do a bank's funds consist?
2. In what three ways are deposits received?
3. Describe the certificate of deposit.
4. How are deposits made in a commercial or checking account?
5. What change has taken place in the bank's method of reporting to the depositor?
6. Who enters checks in the bank pass book?
7. What is done if the balance shown by the bank's statement does not agree with that found on the stub of the check book?
8. What effect does depositing money in a bank have on its ownership?
9. How does the depositor withdraw his money from a checking account?
10. How can the payment of a check be prevented by the person who signed it?
11. What can be done on a commercial account by a dishonest or careless depositor? How can the payee be protected from this possibility?
12. What are the essential elements of a check?
13. What may be true of the form of a check?
14. What is a savings account?
15. Describe the savings pass book. What is the form of the commercial pass book?

STANDARD QUESTIONS

Loans

1. How do banks classify loans?
2. How much can a bank lend on real estate security? Why is this true?
3. What does the borrower on real estate place in the bank's hands?
4. What is the usual time to run on a real estate loan?
5. How are the papers connected with a real estate loan filed? What is the reason for this?
6. What is the meaning of collateral? How does a collateral time loan differ from a collateral call loan?
7. What are the peculiarities of a collateral note?
8. What security other than real or collateral may be given for a loan?
9. How are loans made without security?
10. What are stocks? What are bonds? Distinguish between coupon bonds and registered bonds.

PART TWO

THE bank is a corporation, which means that it is an "artificial person" created by law. In forming the organization the stockholders meet and elect a board of directors. These directors are required by the national banking act to subscribe and swear to the following oath:

> I, the undersigned, Director of the NATIONAL BANK OF EDUCATION, of the City of Cleveland, and State of Ohio, do solemnly swear that I am a citizen of the United States and a resident of the State of Ohio, and that I will, so far as the duty devolves on me, diligently and honestly administer the affairs of said bank; and that I will not knowingly violate, nor willingly permit to be violated, any of the provisions of the revised statutes of the United States under which this bank has been organized; and that I am the bona fide owner, in my own right, of the number of shares of stock subscribed by me or standing in my name on the books of the said bank, and required by said revised statutes; and that the same is not hypothecated nor in any way pledged as security for any loan or debt.

The board of directors. There must not be fewer than five directors, and there may be as many more as seem desirable. Meetings of the directors are held at intervals, from monthly in a small bank to daily sessions in a large city bank. The minutes of these meetings are the official record of the bank's proceedings and are kept by the cashier or by a clerk appointed from among the directors. The main subject of consideration in meetings of directors is usually loans and their security. However, the board may appoint a finance committee and leave the matter of loans in the committee's hands. In banks where this is not done, they are sometimes left to the president or to the cashier between sessions of the board.

The officers of the bank. Of the officers elected by the board of directors the president stands first as the head of the institution. He presides at the meetings of the board and is usually the guiding spirit of the bank. The vice-president takes the president's place in the president's absence. In large banks there are frequently a number of vice-presidents, each one having charge of some important department of the bank's affairs. One looks after the advertising, another secures new accounts, another interests himself in the welfare of the bank's employees, and so

on. The cashier is the executive officer of the bank, acting in the capacity of general manager. In a small bank he sometimes keeps the loans in his own charge and may do some of the work at a window. In a large bank he delegates these functions to assistants. In any case he must be familiar with banking law as well as with banking practice, for he is responsible in a large measure for the bank's success. He is the final authority in the bank's correspondence, and his signature binds the bank.

What the paying teller does. Next in rank to the cashier stands the paying teller. His responsibility is greater than that of the receiving teller, because if he makes a mistake, the money has been paid out and cannot be recovered unless the one who received it cares to return it. That which the receiving teller takes in is in the bank, and if there have been errors they can be rectified. The paying teller should be a person of good judgment, not easily confused, and must be able to decide important questions quickly. However, even the best paying teller is not infallible. Any errors in paying cash will in all probability be discovered at the close of the day. If the error is in the bank's favor, the customer will probably return for the shortage; if the error is in favor of the customer and he does not return the overpayment, he can be arrested and prosecuted for theft. The paying teller sees that all incoming paper is properly indorsed and should have a keen eye for the genuineness of signatures. The ability to remember faces and names will also play a large part in his success.

The receiving teller. The receiving teller keeps himself posted on methods of detecting counterfeits of both coin and paper currency. He also watches for the indorsements on deposited paper and checks the accuracy of the deposit tickets. He keeps a proof record of all incoming cash and credits and turns the cash over to the paying teller at the close of the day, taking the paying teller's receipt for it. In keeping the books of the National Bank of Education, the teller's book will not be used.

The discount clerk. The discount clerk has charge of the bank's main source of income, the discounting of short-time credits. These are first passed upon by the board of directors, the board's financial committee, or the president, according to

the bank's custom. When passed, the customer receives the proceeds or they are entered in his bank pass book, whichever he prefers. The discount clerk then enters them in his register and tickler. These may be either bound or in the form of loose cards.

The collection clerk. Paper brought into the bank for collection comes to the collection clerk. In handling this the bank acts only as the agent of the last holder, for whom the collection is being made. The books used for the entry of collection paper are similar to those used for discounted bills. When the tickler is in the form of a card index, the cards are arranged in the order of the due dates of the paper, overdue items being placed in front of all others. When the paper is paid and entered, the card is destroyed.

The individual bookkeeper. Accounts with depositors are known as individual accounts and are kept in the individual ledger, which is in charge of the individual bookkeeper. The early form of this ledger was practically the same as that used in other kinds of business. Later many banks adopted the so-called "Boston" type of individual ledger as shown in Form 121, which is divided vertically into sections for successive days, each section being subdivided to show columns for deposits, checks, old balance, and new balance. The page is divided by horizontal lines into divisions providing a certain number of lines for each depositor or individual, the names being printed or written at the left of the sheet. As checks and deposits were entered separately, the allowance of lines was sometimes insufficient. Until a person became quite familiar with it the book was rather formidably complicated. Errors were frequent. But the chief objection to the Boston ledger lay in the amount of time it required.

It is still used, but it is being replaced to some extent by a much simpler form which saves time, because the entries are made by the use of carbon paper under the monthly statement. The columns of the ledger page are ruled to fit those of the statement, and both are filled out in the bookkeeping machine at one writing. This necessarily requires the loose-leaf type of ledger.

The general bookkeeper. The general bookkeeper has charge of the general cash book and the general ledger. In the general ledger are kept the accounts with Capital Stock, Expense,

Dividends, and other general accounts, together with controlling accounts with Individual Ledger, Loans, Discounts, and so forth.

Each of the duties here may be subdivided among as many assistants as the requirements of the bank make necessary. In a large bank there are operators of typewriters, adding machines, comptometers, bookkeeping machines, telephones, multigraphs, printing machines, and so on, to such an extent as to require 800 to 1,000 employees. Some banks employ also pages, guards, ladies' maids, outdoor footmen, night watchmen, information guides, and so on.

The clearing house. Every bank finds it necessary to cash paper drawn on other banks. The checks we have cashed which are drawn on other banks in the same city must be returned to those banks, and checks on us cashed by other banks must be returned to us. Before the establishment of the clearing house, as it is called, all this returning of checks had to be done by messengers. But now the banks of a city organize a clearing house which is centrally located and employ a manager to take charge of it. The counter is built in the shape of a horseshoe or three sides of a rectangle with windows placed at convenient intervals. Each window is numbered, the number of the window standing for the member bank which always "clears" at that particular window.

The members of the clearing house to which the National Bank of Education belongs are as follows:

1. The City National Bank
2. The Fourth National Bank
3. James Brothers, Bankers
4. The National Bank of Education
5. The Fourth City Savings and Trust Co.
6. The Dollar National Bank
7. The Eagle Banking and Trust Co.
8. The National Bank of Industry
9. The A. F. L. National Bank
10. The Farmers' and Traders' Bank

How the checks are handled. All checks coming in over our counter on a certain day are sorted and those drawn on each bank bundled together. On the following morning these bundles of checks with a complete list of them are placed in the

	Monday, January 11, 19--						Tuesd
Depositors' names	Old balance	Counter checks	C. H. checks	Total checks	De-posits	New balance	Old balance
Anderson, B. E. & Co							
Baker, Wise and Company							
Farr Manufacturing Company							
Harkness, C. E							

FORM 121; "Boston" Ledger

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hands of the clearing house runner, who accompanies the settling clerk to the clearing house. Any tardiness in reaching the clearing house in time for the opening bell at 10 o'clock is punished by a fine against the bank whose representative is late.

The process of "clearing." At the signal the settling clerks take their places inside of the windows, each one at the number of his bank, while the runners stand outside the windows in the same order. All the runners then move like a procession past the windows, each one leaving at each window as he passes it, the checks on that bank which he brought from his own bank. When the procession has made the complete circuit and the runners again stand before their own numbers, all the checks of each bank are in the hands of that bank's settling clerk. These are now listed again, and the totals of the new lists must check with the totals of the lists brought in at the beginning. If the total amount of paper brought into the clearing house by our bank is larger than the total amount of paper drawn on us and cashed by other banks, as shown by the second list, it shows that we have paid out more money for the other banks than they have paid out for us. The difference is therefore due us. But if the list of papers we brought in shows a total which is less than the total of what the other banks have cashed for us, we owe the difference to the clearing house.

When all balances due the clearing house have been paid in and all balances due the banks have been paid out, the clearing house accounts will balance, or "clear," as the process is usually called.

ACTUAL BOOKKEEPING

The National Bank of Education

The information given below should be entered in the proper books and accounts opened in the general ledger for all the balances suggested. After entering the summaries in the general ledger, a trial balance should be taken preparatory to making the entries of the first day's business. This trial balance will show twelve debit balances and five credit balances.

The capital stock of the National Bank of Education consists of 5,000 shares of a par value of $100 each, which are owned by the following persons:

R. L. Long	400	shares	$ 40,000
L. Vinocur	200	"	20,000
L. M. Walsh	500	"	50,000
E. A. Trinkner	250	"	25,000
L. Kieselbach	200	"	20,000
M. Koosed	225	"	22,500
F. Furgerson	300	"	30,000
The J. M. Cahoon Estate	525	"	52,500
C. F. Dutton, Jr.	250	"	25,000
S. Weimer	500	"	50,000
L. L. Jones	200	"	20,000
J. O. Gordon	300	"	30,000
J. P. Snyder	150	"	15,000
L. C. Remington	250	"	25,000
B. C. Smith	250	"	25,000
S. R. Hoover	500	"	50,000
Total	5,000	"	500,000

The officers of the bank are: president, R. L. Long; vice-president, J. P. Snyder; cashier, L. C. Remington. The student will act in the capacity of assistant cashier, receiving teller, paying teller, discount clerk, loan clerk, collection clerk, individual bookkeeper, and general bookkeeper.

The bank's correspondents are:

The La Salle National Bank, W. Vesper, Cashier, Chicago, Ill.;

The Seaboard National Bank, F. Van Dorn, Cashier, New York, N. Y.;

The First-Second National Bank, J. T. Moore, Cashier, Atlanta, Ga.;

The Produce Exchange National Bank, G. W. Brown, Cashier, St. Louis, Mo.;

The Faneuil National Bank, S. Adams, Cashier, Boston, Mass.

Paper payable in the New England states will be sent to the Faneuil National Bank, of Boston; that payable west of the New England states, east of Ohio, and north of the Ohio and Potomac rivers will be sent to the Seaboard National Bank, of New York; paper payable west of Indiana, north of the Ohio, and east of the Mississippi rivers will be sent to the La Salle National Bank, of Chicago; that payable south of the Potomac and Ohio and east of the Mississippi rivers will be sent to the First-Second National Bank, of Atlanta; all paper payable west of the Mississippi river will be sent to the Produce Exchange National Bank, of St. Louis.

The names of depositors and the balances in their accounts are as follows:

C. P. Antel & Co., 1927 Euclid Ave., $478.25;
Barton & Gaines, 714 Schofield Building, $1,262.11;

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B. W. Carpenter, 1412 East 80th St., $112.08;
A. M. Dalton, 819 the Arcade, $2,563.84;
The Erie Manufacturing Co., 1263 East 6th St., $6,378.10;
The Goodman Building Co., 2408 West 4th St., $3,312.92;
The Hale Parts Co., 1441 Lake Ave., $4,168.29;
The Hilton Furniture Co., 812 Superior Ave., $2,111.80;
The Independent Paper Co., 101 St. Clair Ave., $16,872.29;
Koosed & Kiplinger, 119 Society for Savings Building, $7,246.09;
Lindon & Harms, 1681 Cuyahoga Building, $68.50;
The Lake Erie Auto Co., 909 West 25th St., $4,879.28;
C. W. Mitchell, 6499 Detroit Ave., $11,286.66;
The Polyphase Electric Co., 4387 Clinton Ave., $29,864.44;
J. L. Reed, 4103 Bridge Ave., $6,834.37;
Trosper & Singer, 4632 Madison Ave., $36,845.55;
T. P. Van Vessem, 11798 Franklin Ave., $19,821.37.

To facilitate the making of the entries in the individual ledger and to make it correspond to the report made each month to the depositor, the sheets are usually of the loose-leaf type so that entries are made on the report and in the ledger at the same writing on a bookkeeping machine. In the National Bank of Education a modification of this ledger will be used, the form of the page being retained although firmly bound in a cover. The name of one depositor should be entered at the top of each page and the balance of the account placed opposite the words, "Balance Brought Forward," as is shown in Form 122 on page 275.

The student should enter the following papers in the collection register, understanding that this is to place that book in the form it would have when he enters the bank, after the items have been transferred from a previous record: note received March 30, dated March 6, at 90 days, with interest at 6%, made by M. J. Altemus whose number on the paper is 873, for $486.12, payable in Chicago, and to be collected for Lindon & Harms; note received April 9, dated April 8, at 60 days, made by C. C. Copeland whose number is 265, for $389, payable in New Haven, and to be collected for B. W. Carpenter; draft received April 20, dated April 11, at 60 days after date, drawn by T. P. Van Vessem on R. L. Ambler, Portland, Me., numbered 1,144, for $125, to be collected for the drawer; acceptance received May 4, dated April 1, at 60 days' sight, accepted April 5 by T. V. Villwock, New York, with interest at 6%, drawn by and collected for the Hilton Furniture Co. whose number on the paper is 928, for $290.50; note received May 12, dated April 23, at 60 days, made by W. D. Patterson, numbered 1,436, for $1,250, payable in Camden, N. J., and collected for the Lake Erie Auto Co.; note received May 21, dated May 17, at 30 days, made by R. E. Vinton, numbered 328, for $500, payable in Philadelphia, and collected for Koosed & Kiplinger.

Sheet No. 1

Name C. P. Antel and Company

Address 1927 Euclid Avenue

Old balance	Date	Checks in detail	Date	Deposits	Date	New balance
		Balance brought forward	June 1	478.25		

FORM 122: Individual Ledger

No.	Description of note and mortgage	Date	Rate of interest	Amount of mortgage		Value of land	Value of buildings	Total value	
201	Note for 1 year secured by mortgage on property at 1248 W 120th Street. Lot 45 x 150' 2 story frame house, 11 rooms, slate roof. Sub lot 36 of Elton and Mains' allotment	May 10	6%	4000 ==		£000 ==	7000 ==	9000 ==	
		Date	Interest paid to	Amount	Balance	Date	Interest paid to	Amount	Balance
		July 15 Jan. 8	July 15 Jan. 15	43.33 260 ==	4000 == 3800 ==	Oct. 15 Apr. 7	Oct. 15 Apr. 15	60 == 157 ==	4000 == 3700 ==
No.	Description of note and mortgage	Date	Rate of interest	Amount of mortgage		Value of land	Value of buildings	Total value	
		Date	Interest paid to	Amount	Balance	Date	Interest paid to	Amount	Balance

FORM 123: Mortgage Loan Register

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The mortgage loan register is shown in Form 123 on page 275. In this book is the record of a loan to L. R. Price on a note for one year, secured by a mortgage on property at 1248 West 120th St.; lot 45 x 150 with 2-story frame house of 11 rooms; slate roof; a part of sub lot No. 36 of Elton & Mains' allotment; note made 1 year ago on the 10th of last May for $4,000 with interest at 6%; the land is valued at $2,000 and the buildings at $7,000; interest payments have been made as follows: July 15, interest paid to July 15, $43.33; Oct. 12, interest paid to Oct. 15, $60; Jan. 8, interest paid to Jan. 15 and $200 paid on the principal, $260; April 7, interest paid to April 15 and $100 paid on the principal, $157. This is loan No. 201. The mortgage loan register is ruled so that the items of information concerning the original transaction form a box heading under which space is allowed for payments.

The following discounted paper should be recorded in the discount register as the next addition to the preliminary work of preparing the books for the actual work of June 1: draft by W. F. Kinsale on F. C. Hartupee, our No. 401, for $876.50 with interest, accepted April 2, and discounted April 2 for Barton & Gaines at 60 days after sight; No. 402, note of A. C. Hinsdale for $1,200, made April 5 and discounted April 5 for C. W. Mitchell at 60 days; No. 403, draft by C. C. Bennett on L. R. Martin at 45 days' sight for $3,560, accepted April 23 and discounted April 25 for the Hale Parts Co., with interest; No. 404, draft by T. P. Arthur on W. F. Potter at 45 days after date for $2,850, dated April 26 and discounted April 30 for Koosed & Kiplinger; No. 405, note of A. G. Brittain for $1,480.75, made May 14 at 30 days with interest and discounted May 20 for Trosper & Singer; No. 406, draft by J. W. Killius on M. B. Gault at 60 days after sight for $671.25, accepted April 21 and discounted May 21 for the Erie Manufacturing Co.; No. 407, note of L. S. Ames for $750 with interest, made May 25 at 10 days and discounted May 25 for A. M. Dalton; No. 408, draft by B. C. Hines on W. A. Wood at 15 days after sight for $1,000 with interest, dated May 23, accepted May 26, and discounted May 31 for the Polyphase Electric Co.

The following items should appear in the collateral loan register: note of J. L. Reed for $5,000 with interest at 5%, made March 25 at 90 days, payable at our bank, and secured by a 100-share certificate, No. 284, of Cleveland Street Railway Co. stock which has an approximate market value of $8,500; note of Stanford & Lee for $2,500 with interest at the regular rate, made April 5 at 60 days, indorsed by C. T. Weil, payable at our bank, and secured by 5 United States bonds (4s) Nos. 884796, 884797, 884798, 884799, and 884800, with an approximate market value of $5,025; note of C. L. Wesley for $2,000 with interest, made April 20 on call, payable at our bank, and secured by a note of Edwards & Co. at 6 months for $5,000, dated Jan. 1, with an approximate market value of $4,940.83; note of E. P. Arnold for $2,500 with

interest, made May 14 at 30 days, payable at our bank, and secured by a 50-share certificate of the United States Steel Co. stock, No. 1,145, which has an approximate value of $4,000.

The remittance and draft register is a simple record of the credits sent by us to our correspondents, of the credits sent by them to us, and of the drafts we have drawn on them. As intimated earlier in the chapter, we really do not draw on any but the Seaboard National, of New York. As this book stands on June 1, there is a balance against us of $2,483.76 in the case of the First-Second National Bank, of Atlanta, while the others show balances in our favor as follows: La Salle National, Chicago, $8,267.23; Seaboard National, New York, $84,349.84; Produce Exchange National, St. Louis, $12,239.44; Faneuil National, Boston, $21,296.18.

These balances should be entered in the general ledger. The building, known as "The National Bank of Education Building," and owned by the bank, is valued at $150,000. The bank owns a total of $100,000 worth of United States bonds which are on deposit with the Treasurer of the United States to secure the bank's circulation of $100,000, which appears as a credit in the circulation account. The bank's furniture, fixtures, and equipment are valued at $40,000, and there is a balance due from the clearing house of $1,282.50. The general cash book shows a balance on hand of $311,144.29; this is composed of $65,480 in gold, $224,871 in currency, and $20,793.29 in silver dollars and fractional coins of silver, nickel, and copper.

The tickler. All incoming paper is recorded in the proper registers in the order in which it comes into the bank, but there must be some simple method by which it can be known just what papers are due on the days of the current month and during the months to come. This may be in the form of a bound book; it may be a card index; in its simplest form it is the arrangement of the papers themselves under the due dates as indicated on the pockets of an expansion pocket file.

The bound book form of tickler makes it necessary to write the entire record of each paper twice, a waste of time. This is true also of the card method. The expansion pocket file is used by the National Bank of Education because it is simple, it obviates the necessity of rewriting the record, and it is in general use. As the papers are received and recorded in the registers, all those not immediately due are sorted and placed in the proper pockets of the file, those due this month in the pocket on which is printed the day of the month on which that paper matures,

those due later in the pocket on which is printed the name of the month in which they fall due.

How to use the tickler. There are sometimes ticklers for different kinds of paper, one for discounted paper, another for paper for collection, and so forth, but we will use one tickler for all. Notices of maturity are sent to the persons who are responsible for the payment of papers from 10 to 15 days before maturity so that they may make the necessary preparations to meet the obligation on time. In sending such notices, consideration must be had for the distance to which the notice goes and the length of time likely to be consumed in the mails. When papers come in which are due in less than the time usually allowed between notices of maturity and the due date, the sending of notices is likely to be overlooked because notices have been previously sent covering the dates under which the new papers are filed. In instances like this the notice should be prepared and sent at the time when the paper is filed.

How to make the entries. For the convenience of the student and to render omissions less probable the following is suggested as an order of procedure for the day's work in the bank. It must be remembered, of course, that in the actual business of banking many or all of these processes would be in progress in the different departments at the same time and that no one person would handle all of them.

1. Prepare for the clearing house a list of the checks on other banks which came in yesterday, indorsing them.
2. Enter incoming deposits in the individual ledger.
3. Enter the counter checks in the individual ledger.
4. Enter the checks on us returned from the clearing house in the individual ledger.
5. Enter discounted paper in the discount register.
6. Enter paper for collection in the collection register.
7. Enter loans on real estate in the mortgage loan register.
8. Enter collateral loans in the collateral loan register.
9. Enter certificates of deposit in the certificate book.
10. Enter travelers' checks in the certificate book.
11. Enter payments received in the discount, collection, and loan registers.
12. Send foreign checks and other credits to correspondents and to other banks in individual cases.

13. Enter remittances we send to correspondents, proceeds of reports from correspondents, and drafts drawn on correspondents in the remittance and draft register.
14. Prepare the daily statements.
15. Make general entries and summaries of other books in the general cash book.
16. Post to the general ledger.
17. Take a trial balance.

STANDARD QUESTIONS

The bank's officers and employees

1. Why is a corporation called an artificial person?
2. What is the board of directors? How is it chosen? How many are there on the board?
3. What is the substance of the director's oath?
4. What is the official record of the bank's proceedings?
5. How often does the board of directors meet? What is the chief business of these meetings?
6. To whom may the board of directors delegate some of its work?
7. Who are the officers of the bank and what are their duties?
8. What are the duties of the cashier?
9. Who stands next in rank to the cashier? Why?
10. What are the duties of the paying teller?
11. What are the duties of the receiving teller?
12. Why is the position of discount clerk so important?
13. What are the duties of the collection clerk?
14. What is the "Boston" ledger? What may take the place of the Boston ledger? How are the entries made?
15. Of what books has the general bookkeeper charge?

STANDARD QUESTIONS

The clearing house

1. What conditions make the clearing house necessary?
2. How and where is the clearing house organized?
3. Describe the counter.
4. What is done with checks which we cash for other banks?
5. Who takes the checks to the clearing house?
6. Why is there a penalty for tardiness in reaching the clearing house?
7. Describe the process of clearing.
8. What does each settling clerk do with his own checks?
9. When do we owe the clearing house a balance?
10. When does the clearing house owe us a balance?

PART THREE

ACTUAL BOOKKEEPING

Transactions of the National Bank of Education from June 1 to June 13.

In making entries the directions on page 278 should be followed At the end of each day's work the student should post and also take a trial balance. On June 13 a statement of the bank's condition is to be made.

Wednesday, June 1

Deposits received:

B. W. Carpenter

Silver	26 18
Paper currency	287 00
Check on No. 6	127 12
" " " 9	384 50
" " " 2	16 87
" " " 10	92 10

Barton & Gaines

Silver	12 45
Paper currency	35 00
Check on No. 5	250 00
" " " 1	82 30
" " " 10	110 75

T. P. Van Vessem

Silver	83 11
Paper currency	120 00
Check on Chattanooga	58 75
" " Denver	27 30
" " Philadelphia	34 20
Check on No. 3	12 80
" " " 8	37 25

Lindon & Harms

Gold	80 00
Silver	43 70
Paper currency	163 00
Check on No. 1	472 90
" " " 3	87 80
" " " 8	2 67
" " " 7	283 91

Hilton Furniture Co.

Silver	37 12
Paper currency	69 00
Check on No. 2	44 85
" " " 9	260 00
Check on New York	81 25
U. S. Money Order	12 55
Check on Chicago	67 30

Counter checks

Name	No.	Amount	For
Independent Paper Co.	167	248 12	Cash
T. P. Van Vessem	34	83 19	"
C. P. Antel & Co	283	2 45	"
Koosed & Kiplinger	812	136 20	"
" " "	815	347 69	"
Trosper & Singer	381	1,283 23	N. Y. draft, exchange 1.60
Barton & Gaines	426	18 70	Cash
Lindon & Harms	709	267 12	"
J. L. Reed	588	250 31	N. Y. draft, exchange .31

Clearing house checks

Name	No.	Amount	Form No.
B. W. Carpenter.....	649	12 25	10
Lake Erie Auto Co.....	311	489 50	5
Hilton Furniture Co.....	444	612 30	1
Polyphase Electric Co...1121		100 00	3
A. M. Dalton.....	89	478 36	3
C. W. Mitchell.....	563	82 10	6
Erie Manufacturing Co..	848	287 66	10
Hale Parts Co.....	537	382 40	2
Goodman Building Co...	78	186 90	5
" " "...	79	238 00	7

Loans

To J. C. Holmes on house and lot No. 1582 West 90th St., 45′ x 160′, lot No. 35 of subdivision No. 10, @ 6%. Land valued at $2,870; house at $7,500. Amount of loan $5,000.

To J. L. Reed on 50 shares of Clarendon Mining Co. stock, certificate No. 246, par value $100 a share, probable market value $80 a share; call loan of $1,500 @ 6%.

Certificate of deposit issued to Miss C. Gloeckler for $500, No. 860, with interest at 5% if the money not withdrawn until after 3 months.

Issued 10 travelers' checks, Nos. 0384276 to 0384285, for $10 each, to L. Trosper; fee 50c.

Issued 10 travelers' checks, Nos. 274329 to 274338, for $20 each, to J. Stein; fee $1.

Received from F. C. Hartupee a check on No. 3 for $885.27 in payment of his acceptance which falls due today. The number of the acceptance which falls due today, No. 401.

Paper received for discount

Draft on C. P. Amster by O. W. Ames for $684.20 at 30 days, dated May 11, payable at our bank, for M. J. Battles; the proceeds are paid in cash.

Note of Lindon & Harms for $785 at 30 days, dated May 14, payable at our bank, for T. R. Warfield, 761 Summit Ave., who opens a new account for the proceeds.

The list of checks on others sent to the clearing house, Saturday, June 4, and prepared on the adding machine, will look like that shown in Form 124 on page 283.

When completed, these lists are separated at the perforations and each one goes together with the checks it represents to the clearing house.

Saturday, June 4

Deposits received

C. P. Antel & Co.

Paper currency	24 00
Check on No. 3	9 80
" " " 8	12 40

Koosed & Kiplinger

Check on Denver	75 00
" " Philadelphia	34 40
" " No. 5	10 50
" " " 1	18 10

Goodman Building Co.

Silver	13 42
Check on us by B. W.	
Carpenter (No. 650)	18 90
Check on No. 2	81 25
" " Harrisburg	110 50
" " Augusta, Me.	44 65

Trosper & Singer

Silver	124 73
Paper currency	210 00
Check on No. 6	312 80
" " " 9	487 35

A. M. Dalton

Silver	73 10
Paper currency	110 00
Check on No. 7	94 50
" " " 10	212 25

Lake Erie Auto Co.

Check on Columbus	125 10
" " Dayton	100 00
" " Toledo	85 75
" " Chicago	155 70
" " No. 3	10 00

Counter checks

Name	No.	Amount	For
B. W. Carpenter	651	218 50	Cash
T. P. Van Vessem	35	75 00	"
" " " "	36	10 10	"
Polyphase Electric Co.	1123	1,283 30	"
" " "	1125	840 25	"
C. W. Mitchell	564	212 10	"
Trosper & Singer	382	1,000 00	"
" " "	384	126 40	"
Independent Paper Co.	168	843 35	"
" " "	170	267 65	"
J. L. Reed	589	63 40	"

Clearing house checks

Name	No.	Amount	From No.
Linden & Harms	711	22 12	8
Barton & Gaines	427	137 10	6
A. M. Dalton	91	500 00	3
Lake Erie Auto Co.	313	125 50	1
" " " "	312	200 00	10
Erie Manufacturing Co.	849	812 95	10
" " "	850	233 80	2
Koosed & Kiplinger	813	1,288 00	5
Hale Parts Co.	539	580 00	5

No. 1 City National From the Natl. Bk. of Educa.	No. 2 Fourth National From the Natl. Bk. of Educa.	No. 3 James Brothers From the Natl. Bk. of Educa.	No. 5 Fourth City Savings and Trust Company From the Natl. Bk. of Educa.	No. 6 Dollar National From the Natl. Bk. of Educa.
82.30	16.87	12.80	250 ==	127.12
472.90	44.85	87.80		
		885.27	*250* ==	*127.12*
555.20	*61.72*			
		985.87		

No. 7 Eagle Bank and Trust From the Natl Bk. of Educa.	No. 8 National Bank of Industry From the Natl. Bk. of Educa.	No. 9 A F. L. National From the Natl. Bk. of Educa.	No. 10 Farmers and Traders Bank From the Natl. Bk. of Educa.
	37.25		
283.91	2.67		
283.91	*39.92*		
		384.50	
		260.==	
		644.50	
			92.10
			110.75
			202.85

FORM 124: On this list of checks which the National Bank of Education sends to the clearing house, there is no space for No. 4, the National Bank of Education's number. Each bank makes out its own forms and leaves no space for its own checks. Extra space is allowed for banks on which a large number of checks are drawn.

Clearing house checks, continued

Name	No.	Amount	From No.
Hale Parts Co.....	540	177 60	3
" " "	541	23 40	1

Loans

To A. R. Townsend on office building, corner of Euclid and East 10th St., 108′ x 138′, valued at $120,000; amount of loan $50,000; interest 6%.

To the Hart-Warren Co. on 20 $1,000 coupon bonds of the City of Springfield, Ohio, Nos. D1244 to D1263, street paving, due in 10 years, valued at $19,000; amount of loan $10,000 for 60 days at 6%.

Received from A. C. Hinsdale, his check on the National Bank of Industry for $1,200 in payment of his note, No. 402, due today.

Received from L. S. Ames, his check on the Dollar National Bank for $751.25 in payment of his note, No. 407, due today.

Received from Stanford & Lee, their check on the City National Bank for $2,525 in payment of call loan No. 102 with interest. We return their collateral to them.

Paper received for collection

Note of Johnson & Olds, of Louisville, Ky., for $794.50, to be collected for Trosper & Singer, dated May 9, at 30 days, their number being 412. We shall send this paper to the First National Bank, of Louisville.

Draft by Koosed & Kiplinger on M. B. Upp & Co., of Buffalo, N. Y., at 3 days after date, dated today, to be collected for the account of Koosed & Kiplinger whose number on the paper is 339, for $465.25. We collect directly.

The foreign paper received today we send to our correspondents, except that payable in Ohio, which we send to the First National Bank of each of the cities named.

Received from the Polyphase Electric Co., their sight draft on Barton & Gaines, dated June 1, for $285.45. By calling Barton & Gaines by telephone we receive their instructions to charge the draft to their account.

We receive for discount from the Independent Paper Co., note of the Erie Manufacturing Co., dated May 12 at 60 days, for $490. We credit the proceeds to the Independent Paper Co.'s account.

Notices of maturity should be sent to all who are responsible for the payment of paper falling due within the next 10 days.

As yesterday's balance with the clearing house was not settled, we receive today a check from the clearing house for $333.12, the net balance due us for the 2 days.

Tuesday, June 7

Deposits received

Erie Manufacturing Co.

Paper currency	248 00
Gold	80 00
Silver	10 35
Check on No. 10	37 80
" " Mobile, Ala.	135 12
" " Kansas City, Mo.	19 90

Hale Parts Co.

Paper currency	320 00
Silver	4 10
Check on No. 6	110 00
" " " 9	83 24
" " St. Paul	310 10
" " Philadelphia	240 50
" " Concord, N. H.	109 30

Independent Paper Co.

Silver	48 30
Paper currency	75 00
Check on No. 1	84 11
" " " 5	10 00
Check on Trenton, N. J.	836 40
" " New Haven, Conn.	321 10

C. W. Mitchell

Check on No. 3	85 10
" " " 8	113 45
" " " 8	28 90
" " Savannah, Ga.	386 50
" " Detroit, Mich.	1282 00

Polyphase Electric Co.

Gold	100 00
Silver	61 35
Check on No. 2	81 40
" " " 7	19 75

J. L. Reed

Check on Denver	1183 90
" " St. Louis	976 50
" " Birmingham, Ala	654 10
" " Albany, N. Y.	185 00

Counter checks

Name	No.	Amount	For
Independent Paper Co.	169	34 80	Cash
Goodman Building Co.	80	177 12	"
C. P. Antel & Co	285	1001 25	N. Y. draft, exchange $1.25
Erie Manufacturing Co.	851	172 92	Cash
Trosper & Singer	383	325 60	"
" " "	385	210 00	"
A. M. Dalton	90	100 00	"
Lindon & Harms	713	184 50	N. Y. draft, exchange .25
" " "	714	263 10	Cash
Hilton Furniture Co.	445	81 50	"
B. W. Carpenter	652	25 00	"

Clearing house checks

Name	No.	Amount	From No.
T. P. Van Vessem	37	96 50	6
Hale Parts Co.	543	214 25	10
Koosed & Kiplinger	814	110 00	1

Clearing house checks, continued

Name	No.	Amount	From No.
Koosed & Kiplinger....	816	347 90	3
C. W. Mitchell.....	565	82 40	9
Barton & Gaines.....	428	31 10	6
Polyphase Electric Co..	1124	785 20	3
" " " ..	1126	315 80	3
J. L. Reed.....	590	111 10	2
Lake Erie Auto Co.....	314	89 20	5

Loans

To Busch & Tepper on 250 shares of General Motor Co. stock @ $100, certificate No. 52, probable value $110 a share, call loan of $15,000 at 5½%.

To the Seabrock Publishing Co. on 20 coupon bonds (water construction) of the City of Indianapolis, Nos. 13476 to 13495, of $1,000, each bearing 5% interest, and due in 8 years; amount of loan $12,000 at 5½% on call.

To C. L. Jordan on a tract of 200 acres of land, with house, barn, and sundry buildings, located in the village of Belleport, in Norwood County, and valued at $100 per acre; it is the northeastern part of original survey No. 168, by Christopher Elliott; loan of $8,000 on note and mortgage for one year, with interest at 6%, payable quarterly on the 15th of January, April, July, and October.

Certificate of deposit No. 861, issued to C. C. Coleman, for $250 with interest at 5% if not withdrawn within 3 months.

Issued 10 travelers' checks, Nos. 274339 to 274348, for $20 each, to R. C. Mullen; fee, $1.

Issued 20 travelers' checks, Nos. 274349 to 274368, for $20 each, to P. M. Crouch, fee $2.

Note of C. P. Antel & Co., dated May 25, at 30 days, for $685, is discounted and the proceeds placed to the credit of the account of the Lake Erie Auto Co.

Note of J. L. Reed, dated May 17, at 30 days, for $428.25, is discounted and the proceeds placed to the credit of the account of C. P. Antel & Co.

Note of T. P. Van Vessem, dated May 29, at 30 days, for $730.50, is discounted and the proceeds paid in cash to M. B. Crane.

Foreign paper received today is forwarded to our correspondents

Reports of collection

From the La Salle National Bank, of Chicago, stating that the note of M. J. Altemus, No. 301, has been collected. After deducting the

Chicago bank's fee of $1.23 and our fee of 62c, we send a treasurer's check for the proceeds to Lindon & Harms.

From the Seaboard National Bank, of New York, stating that the note of T. V. Villwock, No. 304, has been collected. After deducting the New York bank's fee of 73c and our fee of 37c, we enter the proceeds to the credit of the Hilton Furniture Co.'s account.

Received for collection

Note of J. J. O'Brien, of Albany, N. Y., dated May 11, at 30 days, with interest, their No. 98, to be collected for C. P. Antel & Co.; amount of the note, $212.30.

Draft at 10 days after date, dated today, drawn by the Polyphase Electric Co. on R. D. Hinton, Boston, Mass., for $812.40. Their number is 847.

Received from L. R. Martin, his check on the A. F. L. National Bank for $3,586.70 in payment of his acceptance, with interest, due today, No. 403.

The student should not forget to send out the notices of maturity promptly.

Notify C. P. Antel & Co. that their account is overdrawn $51.71.

Friday, June 10

Deposits received

Barton & Gaines

Gold	120 00
Paper currency	85 00
Check on No. 5	1050 25
" " " 1	847 20
" " New York	265 50
" " Chicago	312 40

Trosper & Singer

Silver	18 80
Check on No. 2	195 00
" " " 10	658 10
" " Little Rock	1250 00

Erie Manufacturing Co.

Paper currency	96 00
Gold	100 00
Silver	16 35
Check on No. 3	312 20
" " " 8	111 50
" " New York	725 00

C. P. Antel & Co.

Paper currency	85 00
Check on No. 9	178 10
" " " 6	219 46
" " St. Louis	1211 09
" " Baltimore	309 20

C. W. Mitchell

Paper currency	81 00
Silver	29 60
Check on No. 7	290 30
" " " 10	843 15
" " Savannah, Ga.	329 00

T. R. Warfield

Paper currency	91 00
Silver	87 50
Check on No. 2	312 90
" " " 8	84 13

Counter checks

Name	No.	Amount	For
T. R. Warfield	1	25 00	Cash
" " "	2	125 25	N. Y. draft, exchange 25c
T. P. Van Vessem	39	1,246 20	Cash
Trosper & Singer	386	148 10	"
J. L. Reed	591	160 00	8 travelers' checks @ $20 Fee 80c paid in cash
Polyphase Electric Co.	1127	275 00	Cash
" " "	1130	465 00	"
C. W. Mitchell	566	1,521 90	N. Y. draft, exchange $1.90
Lake Erie Auto Co	315	500 00	Cash
Lindon & Harms	712	150 75	"
Koosed & Kiplinger	817	3,185 98	N. Y. draft, exchange $3.98

Clearing house checks

Name	No.	Amount	From No
C. P. Antel & Co	286	187 10	10
Independent Paper Co	172	248 19	3
Barton & Gaines	430	175 80	5
Hilton Furniture Co	446	90 00	8
B. W. Carpenter	653	35 40	1
Hale Parts Co	542	21 10	7
A. M. Dalton	92	310 80	9
Goodman Building Co	81	291 35	2
Erie Manufacturing Co.	852	1,010 10	6

Loans

To the Hill Woodenware Co. on 200 United States 4¾% registered bonds, Nos. 37496 to 37695, valued at $20,500. Amount of the loan, $12,500 at 6% for 60 days.

To E. M. Connor on manufacturing plant on the northwest corner of West 28th Street and Detroit Avenue, fronting 250 feet on Detroit Avenue and 312.5 feet on West 28th St., being 20 sublots of the county survey of Christopher Elliott, and valued at $250,000. Amount of the loan, $50,000 on note and mortgage for one year, with interest at 6% payable quarterly, on the 15th of January, of April, of July, and of October.

Received from W. F. Potter his check on the National Bank of Industry for $2,850 in payment of his acceptance No. 404 due today.

Received from W. A. Wood his check on the Dollar National Bank for $1,002.50 in payment of his acceptance No. 408 with interest.

Received from C. P. Amster his check on James Brothers, Bankers, for $684.20 in payment of his acceptance No. 409.

Received from M. B. Upp & Co., of Buffalo, N. Y., a draft by the Bison City National Bank, of Buffalo, on the Bronx National Bank, of New York, for $465.25, in payment of collection No. 308. After deducting our fee of 58c for collecting, the proceeds are credited to Koosed & Kiplinger's account.

Received from the Faneuil National Bank a report stating that the note of C. C. Copeland has been collected and credited to our account, less their fee of 97c; after deducting our fee of 49c, we credit B. W. Carpenter's account for the net proceeds.

Travelers' checks Nos. 0384276 and 0384277 were received today by mail.

We pay, in gold, directors' fees for their attendance at meetings, $100.

We pay electric light bill, $5.85; taxes, (½ year) $327; telephone bill, $7.50; for postage stamps, $50.

Received for discount

Draft at 60 days' sight of the Erie Manufacturing Co. on H. Spero, dated April 23, and accepted April 25, for $830.40, payable in New York. We credit the proceeds of the draft to the Erie Manufacturing Co.'s account.

Note of E. J. Gabel, dated May 26, at 30 days, for $524.60, discounted for C. W. Mitchell. We credit the proceeds to C. W. Mitchell's accounts.

Received for collection

Note of Bidle & Fried, of Springfield, Ill., for $1,275.75, to be collected for A. M. Dalton, dated May 28, at 30 days, their No. 62. Send to the La Salle National.

Our treasurer's check for $489.71 was returned today.

The student should prepare notices of maturity and reports to correspondents.

Monday, June 13

Deposits received

T. P. Van Vessem

Currency	40 00
Silver	12 45
Check on No. 10	17 50

J. L. Reed

Gold	40 00
Paper currency	52 00
Check on No. 1	111 50

Independent Paper Co.

Currency	35 00
Silver	41 20
Check on No. 3	10 00
" " " 8	13 50
" " " 6	8 10

C. W. Mitchell

Check on Nashville, Tenn..... 68 75
" " Tulsa, Okla... 19 10
" " Billings, Mont. 24 60
" " Scranton, Pa.. 32 12

Hale Parts Co.

Check on St. Louis, Mo. 124 80
" " Mobile, Ala... 89 10
" " San Antonio, Tex..... 62 85
" " Providence, R. I.....194 10
" " No. 7..... 30 00

Lindon & Harms

Gold..... 180 00
Silver..... 85 50
Check on No. 5.....1210 40
" " " 9..... 486 25
" " " 2..... 310 15
" " Hartford, Conn..... 85 20

Erie Manufacturing Co.

Paper currency.....412 00
Check on No. 8..... 12 40
" " " 2..... 8 10
" " " 5..... 39 40

B. W. Carpenter

Paper currency..... 85 00
Silver..... 74 19
Check on Salt Lake City, Utah.....123 50
" " New Orleans, La..... 82 95

Counter checks

Name	No.	Amount	For
J. L. Reed.....	592	1,503 00	Call loan No. 105
Lindon & Harms.....	713	785 00	Their note, D. R. No. 410
C. W. Mitchell.....	567	1,200 00	Cash
" " "	568	745 93	N. Y. draft, exchange $.93
Polyphase Electric Co..	1128	1,025 50	Cash
" " " ..	1131	132 10	"
Trosper & Singer.....	389	810 00	"
" " "	390	123 50	"
T. P. Van Vessem.....	43	1,000 00	"
" " " "	44	843 35	N. Y. draft, exchange $1.05
T. R. Warfield.....	5	175 75	Cash
" " "	6	35 10	"

Clearing house checks

Name	No.	Amount	From No.
T. R. Warfield.....	3	87 12	8
" " "	4	24 08	6
C. P. Antel & Co.....287		25 00	10
Barton & Gaines.....429		108 10	5
B. W. Carpenter.....654		26 45	1
Goodman Building Co...	82	520 80	2
" " " ..	83	242 35	2

Clearing house checks, continued

Name	No.	Amount	From No
Independent Paper Co...	171	811 60	3
" " "...	173	525 90	7
Koosed & Kiplinger.....	818	112 80	9

Remittances received from correspondents

From the Seaboard National Bank, New York:

Check on No. 3..... 354 12
" " " 9..... 856 40

With this report is also the report of the collection of J. J. O'Brien's note for $212.30 with interest. Their fee 53c, ours 27c. Credit C. P. Antel & Co. with the proceeds.

From the La Salle National Bank, of Chicago:

Check on Columbus, Ohio 241 10
" " No. 10..... 285 40

From the Produce Exchange National Bank, of St. Louis:

Check on No. 8..... 2,500 00
" " " 1..... 1,124 45

From the Faneuil National Bank, of Boston:

Check on Youngstown, Ohio.. 848 35
" " No. 2..... 1,487 80

Received from A. G. Brittain, check on No. 5 for $1,488.15 for his note, No. 405, due today.

The Faneuil National Bank, of Boston, reports that R. L. Ambler's acceptance is paid. Credit T. P. Van Vessem's account for the proceeds. after deducting 31c collection charges for the Faneuil National and 25c for us.

The First National Bank, of Louisville, Ky., reports the payment of Johnson & Olds' note, sent to them for collection; they inclose a New York draft for the proceeds, after deducting their fee of $1.99. After deducting our fee of 99c, we credit the net proceeds to Trosper & Singer's account.

Received for discount a draft by C. P. Antel & Co. on J. L. Bampton, of Dayton, Ohio, dated June 4 at 30 days, for $824.75. We credit the proceeds to C. P. Antel & Co's account.

Received for collection from C. P. Antel & Co., a note of Elmer & Hess, dated May 17 at 30 days, their number being 128, for $587.25, payable in Cleveland.

Received from the First National Bank, of Columbus, Ohio, a check on No. 7 for $125.10, in payment of the credit forwarded to them June 4.

From the final trial balance on this date make a statement of the bank's condition.

Statement of the Condition
of the National Bank of Education, June 13, 19—

Resources

Real Estate	???,???.??	
Furniture, Fixtures, and Equipment	??,???.??	
United States Bonds	???,???.??	
Loans outstanding	???,???.??	
Due from correspondent banks	???,???.??	
Due from other banks and bankers	?,???.??	
Clearing house checks on hand	??,???.??	
Other credits on hand	?,???.??	
Sundry expense items	???.??	
Cash	???,???.??	
Total resources		???,???.??

Liabilities

Capital Stock	???,???.??	
Deposits	???,???.??	
Circulation	???,???.??	
Certificates of deposit	???.??	
Travelers' checks	?,???.??	
Due correspondent banks	???.??	
Total liabilities		???,???.??

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